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GEOGRAPHIC FACTORS IN EMPLOYMENT AND MANPOWER DEVELOPMENT.
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THIS COUNTRY MUST FACE THE ECONOMIC AND SOCIAL CONSEQUENCES OF CHANGING PATTERNS OF EMPLOYMENT LOCATION WHICH RESULT FROM SHIFTING CURRENTS OF TECHNOLOGICAL CHANGE, PRODUCT DEMAND, AND JOB AND PROFIT SEEKING. ECONOMIC DEVELOPMENT PROGRAMS OF THE LAST 7 YEARS, EMPLOYING A WIDE VARIETY OF APPROACHES TO THEIR COMMON GOAL OF ECONOMIC DEVELOPMENT AND JOB CREATION, REFLECT A NEW NATIONAL DETERMINATION TO MEET THE PROBLEMS OF PEOPLE IN DEPRESSED RURAL AND URBAN AREAS. ONE OF THE BASIC QUESTIONS TO BE FACED IN ECONOMIC DEVELOPMENT PROGRAMS CONCERNS THE COMBINATIONS OF PROGRAM EFFORTS WHICH SHOULD EXIST IN THE TWO DIRECTIONS OF MOVING JOBS TO WORKERS AND MOVING WORKERS TO JOBS. IN DEVELOPING PROGRAM PLANS, ACCOUNT SHOULD BE TAKEN OF THE RELATIVE COSTS AND BENEFITS TO THE NATION, AS WELL AS TO THE PARTICULAR AREA AND ITS WORKERS, OF MIGRATION AS COMPARED WITH LOCAL ECONOMIC DEVELOPMENT. FORMULATION OF STRATEGY FOR A COORDINATED MANPOWER AND ECONOMIC DEVELOPMENT POLICY REQUIRES ANSWERS TO SEVERAL QUESTIONS, INCLUDING--(1) HOW CAN THE EMPLOYMENT POTENTIAL OF DIFFERENT AREAS AND THE POTENTIAL RESULTS OF VARIOUS ACTION PROGRAMS BE BETTER EVALUATED, (2) SHOULD PRESENT MEASURES TO STIMULATE PRIVATE BUSINESS AND JOB EXPANSION BE STRENGTHENED AND SUPPLEMENTED, (3) COULD INTERAREA DIFFERENCES IN UNEMPLOYMENT BE REDUCED THROUGH CHANGES IN GOVERNMENT PROCUREMENT AND TRANSPORTATION POLICIES AND DECISIONS REGARDING THE LOCATION OF FACILITIES, AND (4) WHAT BALANCE SHOULD VOCATIONAL EDUCATION AND TRAINING ACHIEVE BETWEEN PREPARING PEOPLE FOR LOCALLY REQUIRED OCCUPATIONS AND PREPARING THEM FOR OUT-MIGRATION. CHARTS, GRAPHS, AND TABLES ARE INCLUDED. THIS CHAPTER APPEARS IN "MANPOWER REPORT OF THE PRESIDENT AND REPORT ON MANPOWER REQUIREMENTS, RESOURCES, UTILIZATION, AND TRAINING" (1968) AVAILABLE AS VT 001 025. (ET)

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GEOGRAPHIC FACTORS IN EMPLOYMENT AND MANPOWER DEVELOPMENT

Economic progress in this country—with all its vast geographic and economic diversity—almost inevitably leaves in its wake areas and even regions which not only fail to share in this progress but are adversely affected by the processes of change. The consequences are now plain to see in many depressed rural regions and blighted urban centers.

This is not to derogate the need for continued rapid economic progress in the country generally. National economic and employment growth is the essential foundation for progress in both lagging and prospering geographic areas. But direct efforts will also be required to speed the economic redevelopment of many distressed areas; to provide improved education and occupational training, health and welfare services, and better living conditions for their people; and probably also to facilitate and guide the continued migration of workers from depressed areas to centers of economic growth.

These objectives are already being pursued through a combination of Federal, State, and local government policies and programs, in alliance with private industry and other nongovernmental leadership. The variety of problems faced by communities and individuals throughout the country dictates a variety of remedial efforts, which generally supplement and reinforce one another. But this diversity also means that a specific program may pursue a particular goal at the cost of progress toward another. For example, if depressed areas are developed by public investment in facilities to attract new industries, this may be at the expense of growing areas with less immediate need for additional jobs but where a similar investment might add more to the national output of goods and services. Or programs to facilitate migration from depressed areas and thus help unemployed workers to get jobs may take the most potentially productive manpower from these areas and thereby weaken their potential for redevelopment.

Economic and manpower policies and programs must take into account these divergent objectives and interests, difficult as this may be. A specific program may be aimed at one limited objective, but the program combination must have much broader goals. It must seek both overall economic and employment growth and a reduction of present interarea and intergroup inequities in employment opportunities and levels of living. And it must consider future potentialities as well as problems clamoring for immediate attention.

The geographic areas of concern have similarly broad scope. They include not only depressed and lagging regions and areas but also growing ones with large numbers of unemployed, impoverished people.

Some of the country's lagging areas show actual declines in opportunities; others, although growing somewhat, consistently fall behind the United States as a whole in their ability to provide improved prospects for workers and business. Many of these lagging areas are relatively small—labor areas or country towns which are unable to attract industry, develop their public services, or give their workers adequate education and training. However, some are large regions—including cities as well as rural areas—crossing

State boundaries, yet lacking the resources, industry, and skills required for economic growth.

These lagging regions and areas have generally been hard hit by past recessions in economic activity and have benefited unevenly—sometimes not at all—when business conditions improved. Thus, a process has been established whereby these parts of the country tend to fall further and further behind in their ability to provide employment for their workers. Since the people who leave depressed areas in search of better opportunities are generally the young and those with the most education and skill, the areas lose their most valuable human resources. This loss further impedes the development of new economic opportunities.

The central need in such depressed regions and areas is usually for programs aimed at discovering their economic potential and promoting their output and employment growth. Given financial and other help in their redevelopment efforts (and sometimes even without such help), labor areas with high unemployment have often demonstrated a capability for economic growth which reversed their previous decline. Within the large depressed regions, small cities have been identified as potential growth centers; it is hoped that these can be developed as employment and service centers for surrounding distressed rural areas.

Improved educational and training programs aimed at developing workers' skills are an essential part of these redevelopment efforts. Furthermore, since some out-migration of workers from rural and other lagging areas will continue to be necessary, another manpower objective must be to guide the migrants to areas of employment opportunity and help them adjust to urban jobs.

The growing areas of the country also include large numbers of workers and potential workers who do not share in the general prosperity. Many urban and rural areas are increasing their overall capabilities for providing improved standards and amenities of living—but not for the unskilled and otherwise disadvantaged, especially those who are nonwhite or members of other ethnic minority groups. Even in rapidly growing areas, the increase in job opportunities may not keep pace with the increase in numbers of workers, owing to natural labor force growth and an inflow of migrants from other areas. This paradoxical situation is most common and most extreme in the large metropolitan areas, where workers in central city slums may have unemployment rates many times higher than those for residents of the surrounding suburbs. These slumdwellers are barred from available jobs by many factors (discussed in the chapter on Barriers to Employment of the Disadvantaged). They often lack the education and skill required for available jobs, are likely to have serious health problems, and may not be able to arrange or afford transportation to the expanding job opportunities in the rings around their central cities.

This chapter reviews some of the geographic dimensions which must be taken into account in planning and evaluating employment and manpower development policies and programs. It briefly describes the employment problems and potentialities of both urban and rural America, and also discusses the broad regions and smaller labor areas now recognized as distressed and in special need of development assistance. Since the migration of workers and the location of industry are basic determinants of the employment situation in every part of the country, the factors influencing migration and the choice of plant location are outlined. Also discussed are the major Government programs now aimed at economic renovation of distressed and lagging regions and areas, and a number of other Federal Government activities which have important geographic effects on employment, unemployment, and other manpower problems. In the concluding section, some suggestions are made as to the issues which must be confronted in working toward an equitable and effective geographic approach to employment and manpower development.

A wide variety of manpower programs oriented to the different needs of workers in specific areas is clearly called for. These programs must be joined by other public programs aimed at economic and social development in the areas involved. Programs to increase private as well as public investment, to guide and possibly to stimulate migration, and to improve education, health, and social services will be required for a full solution to the problems facing distressed areas and their people.

Some Geographic Dimensions of Employment and Economic Development

URBAN AMERICA

Urban areas are the site of most of the Nation's employment and industrial activity and the home of nearly three-fourths of the population. They are the locale of the country's greatest affluence and some of its most critical problems of unemployment, poverty, and social and physical decay.

The intensity of the problems in urban areas is a direct result of these areas' long record of successful functioning as centers of economic and cultural growth. Traditionally, they have been the places where people could find desirable occupations and raise themselves out of poverty. And urban areas have also integrated group after group into the mainstream of American life.

Partly because of this past record of urban success, people from rural areas continue to migrate to the cities seeking work and better wages. Those without the skills and background required for urban employment are at a severe disadvantage. The increasing urban congestion resulting from this migration and from natural population growth strains the limited financial and other resources available for improving the urban environment.

Differences in employment opportunities and problems, as well as modes of living, are vast, of course, between residents of large metropolitan centers and those in smaller urban places, ranging down to 2,500 population. And disparities are likely to be even greater between suburban residents and the people of their central city and its slums.

Disparities in employment, income, health, education, housing, and other social factors among different groups within the urban population are among the most serious problems of our time. Aggravated by their association with color, race prejudice, and rising expectations, these disparities are the root of increasing crime and urban unrest.

In inner-city slums, unemployment is not only high—three times the national average rate in some cases—but also persistent.[1] Many workers have earnings below the poverty level. And the available evidence suggests that economic and social conditions, as well as the physical environment, are getting worse, not better, in many slums.

The efforts already underway to increase the employment and employability of slum residents are, therefore, a first necessity,[2] as is the rehabilitation of slum neighborhoods, through the Model Cities Program (discussed later in this chapter) and other public and private efforts.

But the repair and revitalization of central city neighborhoods is only part of the answer. Each urban area should be considered in its entirety, so that economic, social, and financial relationships can be established among the separate neighborhoods in the city and suburbs. The best hope for a real solution to inner-city problems of unemployment and poverty, and for renewed economic progress in urban areas as a whole lies in this direction.

Metropolitan Areas

Two-thirds of the country's population (about 125 million in March 1966) live in metropolitan areas.[3] Increasing metropolitanization has been one of the basic factors in the country's economic development. Since the beginning of this century, well over three-fourths of the increase in the U.S. population has been accounted for by the growth of metropolitan areas. This growth was intensified during the 1950's and has slackened only moderately since then.

The concentration of industry and population in metropolitan areas is greatest in the Northeast and North Central regions but has been rising more slowly there than in other parts of the country. Between 1950 and 1965, metropolitan area population growth amounted to only 20 percent in

[1] See *1967 Manpower Report*, p. 74.

[2] See the chapter on New Developments in Manpower Programs for a discussion of these programs.

[3] See Current Population Reports (Washington: U.S. Department of Commerce, Bureau of the Census, December 16, 1966), Series P–20, No. 157. Standard metropolitan statistical areas (SMSA's) are defined as places that contain at least one central city with at least 50,000 population, plus the county of the central city and any adjacent counties that are metropolitan in character and economically and socially integrated with the county of the central city. As can be seen from the following 1960 population data, most, though not all, of the people within SMSA's live in urban places, whereas most of those outside SMSA's are in rural areas.

	Population in 1960 (thousands)		
Type of residence	*Total*	*Inside SMSA's*	*Outside SMSA's*
Total	179,323	112,885	66,438
Urban	125,268	99,562	25,706
Rural	54,055	13,323	40,732

the Northeast and 32 percent in the North Central States, compared with more than 50 percent in the South and over 70 percent in the West. (See table 1.)

A region is likely to grow fast when its metropolitan areas, which are the centers of economic activity, are growing fast—implying that it is the metropolitan area growth which determines a region's growth, and not the reverse.[4] However, in some regions with a high rate of out-migration from rural areas, metropolitan area growth may reflect mainly the inflow of people from other parts of the same region.

A variety of economic factors has contributed to the growth and concentration of population, employment, and economic activities in metropolitan areas. Among these are the availability of many public services, lower transportation costs on finished products (metropolitan areas constitute the bulk of the national market for goods and services), the cost savings made possible by many specialized business services, the availability of a large pool of manpower with varying skills, and the feasibility in such areas of large-scale production and distribution—with all the economies this makes possible. When metropolitan concentration goes too far, however, it gives rise to numerous disadvantages—chief among them land scarcity, traffic congestion, and relatively high labor costs—which offset part of the economic gains.

Metropolitan areas have grown faster than the national average not only in population but also in employment and income. Differences among metropolitan areas in employment growth, as in population growth, reflect differences in industrial structure and potential.

Manufacturing is particularly important as a source of employment in the great metropolitan belts of the New England, Middle Atlantic, and East North Central (Great Lakes) regions. In the

[4] See Joe Won Lee, "Dimensions of U.S. Metropolitan Change," *Looking Ahead* (Washington: National Planning Association, June 1967), p. 2.

TABLE 1. POPULATION OF STANDARD METROPOLITAN STATISTICAL AREAS, BY REGION, 1950 and 1965[1]

[Numbers in thousands]

Region	Population		Change, 1950–65	
	1950	1965	Number	Percent
Northeast	32,917	39,380	6,463	19.6
New England	7,408	8,877	1,469	19.8
Middle Atlantic	25,509	30,503	4,994	19.6
North Central	26,589	35,084	8,495	31.9
East North Central	21,093	27,801	6,708	31.8
West North Central	5,496	7,284	1,788	32.5
South	20,871	31,890	11,019	52.8
South Atlantic	9,670	15,723	6,053	62.6
East South Central	3,873	5,034	1,161	30.0
West South Central	7,329	11,133	3,804	51.9
West	14,160	24,365	10,205	72.1
Mountain	2,144	4,153	2,009	93.7
Pacific	12,016	20,212	8,196	68.2

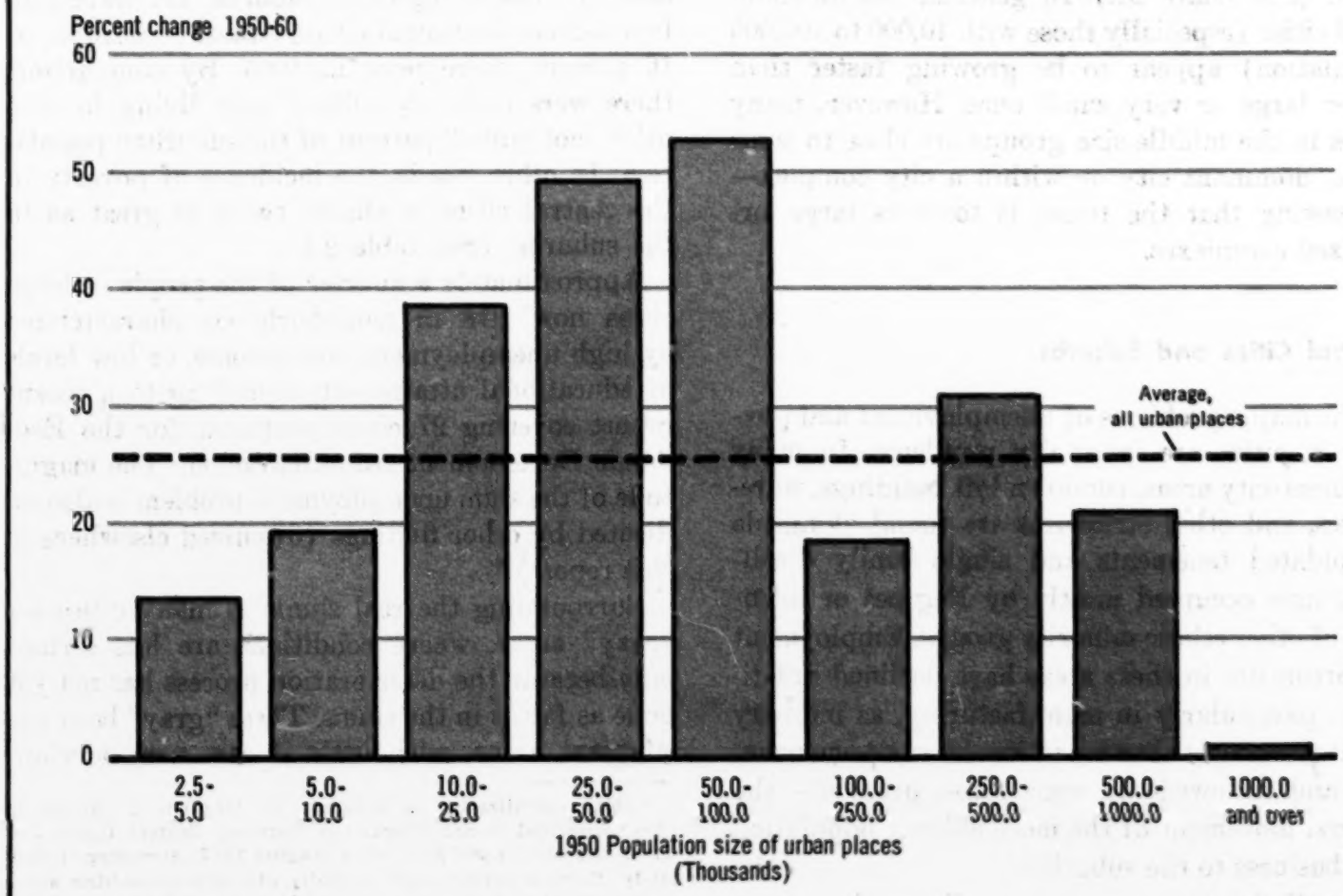
[1] Population data for 1950 and 1965 cover 214 identical SMSA's defined by the Department of Commerce as of 1967. These include some areas that were not classified as SMSA's in 1950 or 1965, but that by 1967 had attained such status. For New England, 12 State economic areas and 2 counties were used. These include the 23 officially defined SMSA's in New England. The consolidated metropolitan areas of New York–Northeast New Jersey, Chicago–Northwest Indiana, and Los Angeles–Orange County were included as individual areas.

NOTE: Detail may not add to totals due to rounding.

SOURCE: Department of Housing and Urban Development, based on data from the Department of Commerce and other sources.

CHART 21

Middle-sized urban places had fastest population gain during the 1950's.



Source: U.S. Department of Labor, based on data from the U.S. Department of Commerce.

West and South, metropolitan growth rests on a more diversified employment base; in a number of areas trade, service, and government are the major employers.

As the size of metropolitan areas increases further, more and more of these areas will attain the kinds of production efficiency associated with having their own manufacturing and other production facilities, rather than importing goods and services from other areas. This could lead to still greater concentrations in large cities and increasing disparity in locational advantages between large and small urban areas. Thus, the trend toward location of businesses and therefore of jobs within large metropolitan areas is likely to continue. However, there are also elements of inefficiency which increase with city size. One way used by business to combat these inefficiencies has been the selection of locations outside the central city—in the suburbs, in nearby cities within the urban complex, or even in new towns. This trend of course intensifies the already severe economic and employment problems of central cities and their residents.

Within a wide range of city sizes (excluding the largest and smallest), economic opportunity—as measured by earnings and rates of unemployment and labor force participation—tends to improve as the population increases. In the largest cities (above all, in their central sections), unemployment rates are generally higher and labor force participation rates are lower than in medium-sized cities. Hourly earnings, on the other hand, are typically highest in cities with over 1 million population. They tend to be about one-sixth higher there than in cities with less population, and one-

fourth to one-third higher than in nonmetropolitan sections of the same region.[5]

Cities of all sizes are growing, but at dissimilar rates. (See chart 21.) In general, the medium-sized cities (especially those with 10,000 to 100,000 population) appear to be growing faster than either large or very small ones. However, many cities in the middle-size groups are close to some large, dominant city or within a city complex—suggesting that the trend is towards large urbanized complexes.

Central Cities and Suburbs

The major problems of unemployment and poverty in cities are inner-city problems. In many old inner-city areas, rundown loft buildings, warehouses, and other structures are found alongside dilapidated tenements and single-family dwellings, now occupied mostly by Negroes or members of other ethnic minority groups. Employment opportunities in these areas have declined drastically, particularly in manufacturing, as industry has increasingly abandoned its old, rundown quarters and followed—in some cases, preceded—the general movement of the more affluent population and business to the suburbs.

By all the measures customarily used as indicators of economic well-being and potential for improvement—income, education, health, skills, unemployment, family cohesion, crime, housing conditions, and so forth—the people living in central cities are, on the average, substantially worse off than those living in the suburbs.[6] Of the 58 million persons in central cities, almost 10 million, or 16 percent, were poor in 1966. By comparison, there were only 4.5 million poor living in suburbs—not quite 9 percent of the suburban population. In other words, the incidence of poverty in the central cities is almost twice as great as in the suburbs. (See table 2.)

Approximately a quarter of the people in large cities now live in neighborhoods characterized by high unemployment, low income, or low levels of educational attainment, according to a recent report covering 27 cities prepared for the Economic Development Administration.[7] The magnitude of the slum unemployment problem is also indicated by other findings (discussed elsewhere in this report).[8]

Surrounding the real slums in many cities are "gray" areas, where conditions are less serious only because the deterioration process has not yet gone as far as in the slums. These "gray" belts are stagnant areas, with little if any new develop-

[5] Victor R. Fuchs, *Differentials in Hourly Earnings by Region and City Size, 1959* (New York: National Bureau of Economic Research, 1967), Occasional Paper 101.

[6] This generalization is examined by Marjorie C. Brazer in "Economic and Social Disparities Between Central Cities and Their Suburbs," *Land Economics*, August 1967. According to this study, there is considerable diversity among metropolitan areas in the extent to which their economic and social characteristics differ as between the central city and the remainder of the area.

[7] See *The Research Review* (Washington: U.S. Department of Commerce, Economic Development Administration, December 1967), p. 7.

[8] See the chapter on Barriers to Employment of the Disadvantaged. The programs undertaken by the Department of Labor to meet central city problems are discussed in the chapter on New Developments in Manpower Programs.

TABLE 2. PERSONS WITH 1966 INCOME BELOW POVERTY LEVEL IN URBAN AREAS IN MARCH 1967[1]

[Numbers in thousands]

Location	Persons at all income levels		Poor persons		
	Number	Percent distribution	Number	Percent distribution	Percent poor
Total urban	136,072	100.0	18,786	100.0	13.8
Outside SMSA's (Small cities)	25,422	18.7	4,773	25.4	18.8
Inside SMSA's	110,650	81.3	14,013	74.6	12.7
Central cities	58,422	42.9	9,487	50.5	16.2
Other urban areas[2]	52,228	38.4	4,526	24.1	8.7

[1] Data on urban population are as of March 1967.

[2] Estimated allocation.

NOTE: Detail may not add to totals due to rounding.

SOURCE: Based on data from the Office of Economic Opportunity.

ment. Sometimes spreading into older suburbs, they are candidates for further serious decay, unless this trend is quickly arrested. If measures to improve residential areas and provide increased employment opportunities for their residents could be expanded in these presently salvageable areas, the tremendous social and financial costs of later slum clearance could be avoided. However, most of these areas are not attractive for large-scale private investment in construction and renewal without government help.

Another critical city problem is the increasing need for public services, at the same time that the exodus of industry and of well-to-do families to the suburban rings has left the central cities with a deteriorating tax base. Faced with this dilemma, cities have either had to raise their tax rates, with the effect of stimulating more firms to leave the central city, or furnish services inadequate to the needs of their residents, especially the poor. Since the more broadly based revenue sources tend to be appropriated by the State and Federal governments, localities have increasingly looked to their State capitals and to Washington for help.

While the central city problem is most acute at the present time, it is clear that many suburban areas, particularly the older ones, are facing similar problems to an increasing extent. Thus, the problem of central cities cannot be viewed in isolation from the rest of the metropolitan areas. Solutions can be found only if it is recognized that the bypassed groups in the central city must be brought into the mainstream of metropolitan life.

Most of the metropolitan area population growth is taking place outside the central city. And so is most of the employment and business growth. From 1954 to 1965, almost two-thirds of all new industrial buildings and over one-half of all new stores were constructed in the rings of metropolitan areas. In the same period, 45 percent of community investment (in schools, hospitals, and so forth) occurred in the suburbs.[9]

The substantial amount of new business attracted to the suburbs has, of course, been paralleled by huge increases in employment opportunities. As table 3 shows for 12 large metropolitan areas, wage and salary employment has been growing 2½ times as fast in their rings as in the areas

[9] Dorothy K. Newman, "The Decentralization of Jobs," *Monthly Labor Review*, May 1967, pp. 7–9.

TABLE 3. PERCENT CHANGE IN PRIVATE EMPLOYMENT IN 12 STANDARD METROPOLITAN STATISTICAL AREAS AND THEIR RINGS, BY INDUSTRY GROUP, 1959 TO 1965 [1]

Industry	Percent change, 1959–65	
	Total, 12 SMSA's	Rings
All industries [2]	12	30
Contract construction	18	31
Manufacturing	4	15
Transportation and public utilities	14	19
Retail trade	15	39
Wholesale trade	8	46
Finance, insurance, real estate	14	55
Services	30	55

[1] Excludes government workers and the self-employed. Employment in the ring is estimated from employment outside of the county in which the central city is located. The 12 SMSA's are: Atlanta, Boston, Chicago, Cleveland, Dayton, Detroit, Indianapolis, New Orleans, New York, Philadelphia, San Francisco, and Washington, D.C.

[2] Includes agriculture, forestry, fisheries, and mining, not shown separately.

SOURCE: U.S. Department of Labor, based on *County Business Patterns* (Washington: U.S. Department of Commerce, Bureau of the Census, 1959 and 1965).

as a whole. And the differential between suburbs and central city is even greater. New employment opportunities have been opening up rapidly in the suburbs in nearly all industries, but especially services, finance and allied industries, and trade.

The suburban explosion has brought many problems to suburbia. First came those of financing public facilities of all kinds, ranging from schools to roads. Later came decisions about the type of growth to be encouraged, as commercial establishments and, still later, manufacturing plants and distribution firms followed the trend to the suburbs. It is only now that the suburban and the central city problems are being viewed as relating to the same interrelated economy.

A major issue in this regard is the intraurban discrepancy between the location of jobs and the location of residences, with special reference to the dilemma of people who live in central city slums. As already suggested, the movement of business and industry to the rings can be expected to con-

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tinue. Stores and other consumer-oriented businesses will go on moving to suburban locations where buying power is concentrated. Research-oriented industry will continue to find suburban locations more congenial than the central city. Industry requiring skilled workers may increasingly find that its labor force, having prospered sufficiently to be able to afford a residence in the suburbs, may also prefer to work there. Household employment opportunities will continue to grow in suburban areas.

There are, of course, countervailing forces tending to arrest the trend toward suburban locations. While land costs may be cheaper than in the central cities, the need to provide parking spaces, lunchrooms, and other facilities commonly available in the central city greatly increases demand for space in suburban operations. Moreover, less active real estate markets in the suburbs may make changes in corporate requirements more costly to undertake than in the city. Also, initial tax advantages may be whittled down considerably in future years as suburban public service needs, partly induced by industrial and commercial in-migration, continue to expand.

Improved transportation facilities would ease the difficulties of commuting to work, now a problem both for central city residents and suburban businesses. It is illusory, however, to think that faster and cheaper transportation connecting the suburban and central city areas, important as it is, would solve the basic urban issue.

The urban area is not only a job market, but also a public service area, a local housing market, and increasingly, in its central city portion, a ghetto. Negroes constitute one-fifth of the total central city population and one-fourth of the people in cities of more than 1 million, but only 4 percent of the inhabitants of suburbs. Among nonwhite families (chiefly Negro) in large cities, the proportion in poverty areas was still above 60 percent in 1966, though substantially lower than in 1960 (77 percent).[10] And it is not only nonwhite people, but whites as well, who are confronted by the economic and physical deterioration of the cities.

[10] See *Social and Economic Conditions of Negroes in the United States* (Washington: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Department of Commerce, Bureau of the Census, October 1967), BLS Report No. 332 and Current Population Reports, Series P–23, No. 24, pp. 8, 10, and 93.

For a discussion of the poverty area classification system, see chapter on Barriers to Employment of the Disadvantaged, p. 84, footnote 3.

Faced with these problems, urban programs must be addressed not only to transportation facilities, but also to public and private job creation in the ghetto areas; improved, low-rent, and open housing; rebuilding of such public facilities as sewage systems, water supplies, hospitals, libraries, and playgrounds; high-quality general education; manpower training and vocational education; and job opportunities with expanding horizons for youth. And even this list of urgent issues by no means exhausts the roster of needs confronting the cities and their people.

Nonmetropolitan Urban Areas

With so much attention being devoted to the growth of metropolitan areas on the one hand, and the problems besetting rural America on the other, the Nation's smaller cities and urban areas are sometimes in danger of being overlooked. However, over 25 million urban Americans—about one-eighth of the Nation's total population—lived outside the metropolitan areas in March 1967. The nonmetropolitan cities and towns are dotted throughout every region and range from somnolent sites of past activity to places showing vigorous economic growth.

Population has grown in nonmetropolitan urban areas as a whole—most noticeably since 1960, when the pace of metropolitan growth slackened somewhat. The actual growth rate is obscured, however; when cities pass the 50,000 limit, they acquire metropolitan status, and they and their people are no longer counted in the statistics for nonmetropolitan areas. Typically these smaller cities attract in-migrants from surrounding rural areas, while they lose out-migrants to the burgeoning metropolitan centers.

Obviously, the workers in smaller cities face varied problems, depending on the size of the community, its regional location, demographic and economic makeup, and its proximity to larger metropolitan areas. Many smaller cities are developing as active trade centers for their areas and, in the Northeast and North Central regions, as manufacturing centers.

Lately, however, manufacturing has tended to be attracted to areas outside its traditional locations and is expanding into medium-sized and smaller urban places, particularly in the South

but also in other regions. The principal, though by no means only, attraction of these places for manufacturing enterprises has been the availability of a relatively low-cost and trainable labor supply. This factor has been important in the location of plants in some small cities in Pennsylvania and northern New England. It has also been evident in many small cities in the South Atlantic region and, more recently, in smaller cities in the East and West South Central States.[11]

Starting often with factories utilizing local raw materials (for example, in the food processing, tobacco, lumber, paper, and furniture industries), these smaller areas then attracted textile mills and, later, apparel plants. More recently, chemicals, leather, and metal fabricating plants and some portions of the electrical machinery industry have settled in many medium-sized and smaller centers, though often in their suburban belts.

Cities in the medium-size categories are sufficiently numerous in most rural regions to make commuting to them practicable for large numbers of people and enable them to play a role as growth centers. This role will become more significant as housing and community facilities are improved. In addition to the expansion in manufacturing, the establishment of new colleges and universities has aided the growth of many small cities. While genuine "new towns," as distinct from bedroom communities, are still rare, their development would make a promising contribution to employment growth in their regions, besides providing new residential opportunities.

At a time of increasing metropolitan tensions and widespread rural poverty, the future of smaller cities and of the people who work and live there looks reasonably secure. But imaginative leadership will be required to capitalize on these cities' locational advantages and insure their continued employment and industrial growth.

RURAL AMERICA

"Rural poverty is so widespread, and so acute, as to be a national disgrace, and its consequences have swept into our cities, violently." [12]

The plight of rural people, so described by the President's National Advisory Commission on Rural Poverty, is the result in large part of the tremendous advances in farm technology and productivity. The technological revolution in agriculture has, for many decades, been forcing farmworkers either off the farm or into underemployment and poverty.

In the past, migration from the farms has improved the economic conditions of most who have left. However, a substantial proportion of these people probably do not do as well as the majority of people in the areas to which they migrate. Some migrants return to the farms after being unable to make a satisfactory living in the cities.

Increasing numbers of farmworkers depend on nonfarm employment to supplement their incomes, although their ability to do this of course depends on the availability of job opportunities nearby. High levels of business activity and a high demand for workers in the nonfarm economy are important also, since they accelerate out-migration from the farms, reduce the return flow, and help provide temporary and part-time jobs for farmworkers. Neither migration nor nonfarm employment provides a solution, however, for those who have the greatest need—the large number of low-income people who cannot leave the farm because of age, ill health, or other special handicaps.

Furthermore, the problem of rural poverty is not merely—or now even chiefly—a farm problem. Although the incidence of poverty is lower among rural nonfarm than farm residents (19 compared with 23 percent in 1966), the total number of poor people in the nonfarm areas (8.7 million) exceeds those on farms by more than 3 to 1.

By no means all rural areas are poor or declining, however. Well over three-fourths of the rural nonfarm population is not in poverty; the gap in per capita income between rural and urban areas is narrowing; and, taken as a whole, rural areas are not losing population.[13] Between 1950 and 1960, nearly one-sixth of all rural counties absorbed not only their own natural population increase but some net in-migration as well. This fact of recent growth in some rural areas is one reason for confidence in their potential for future growth, given programs to stimulate development

[11] Based on research findings of the National Planning Association, Washington, D.C.

[12] *The People Left Behind* (Washington: President's National Advisory Commission on Rural Poverty, September 1967), p. ix.

[13] The rural population and employment remained about the same from 1940 to 1960, but this reflected declines in the farm sector and offsetting gains in the rural nonfarm sector.

of rural resources plus training and other programs to develop rural manpower.

A successful rural manpower policy must be cognizant of the differences among the rural residents, as well as among rural areas. Improving skills and education will be particularly beneficial for the young who have the greatest potential for migration. Improving manpower and social services and developing job opportunities in rural communities will be of great benefit to those who prefer to upgrade their living standards without migrating.

There is another question which also arises. Urban congestion is mounting, urban costs are rising, and the gap between urban aspirations and urban achievements is widening. Is the Nation destined to continue these trends or are there alternatives? Specifically, do rural areas, with their extensive land and recreational resources and thousands of small cities and towns, offer such an alternative?

The Rural Population, Its Employment and Income

In March 1967 about 57 million persons resided in rural America, a figure that is slightly higher than it was in 1950.[14] People living on farms constitute only a minority of rural residents; in fact, the rural nonfarm population at 47 million outnumbers the farm population by 4 to 1. What has happened is that a very large decline in the white farm population has been more than offset by the larger increase in the number of white people in rural nonfarm areas. At the same time, the nonwhite farm population also has declined sharply, but the nonwhite out-migrants have settled mostly in urban rather than rural nonfarm areas.

Years ago, the proportion of minority group members in the rural population was much higher than in the urban population, but migration has now greatly reduced this difference. However, in addition to a large Negro population in the rural South, rural areas contain the great majority of American Indians and a significant, though rapidly declining, proportion of Mexican Americans.

The age structure of the rural population differs from the urban population in ways that have a direct bearing on rural problems. The higher rural birth rate results in a very high proportion of young people below 18 years of age. The heavy out-migration of young adults has meant that these age groups (ages 18 to 45, and especially ages 18 to 35) are underrepresented. On the other hand, the rural population includes a relatively high proportion of older people living on farms as well as in rural nonfarm areas.

In general, the growing numbers of rural nonfarm residents either commute to work in nearby cities or find jobs in new or expanding local industries—chiefly in manufacturing and not in the traditional rural industries (farming, mining, lumbering). However, rural people are handicapped in seeking nonfarm jobs by their relatively low level of education.[15] Many of them are able to find only blue-collar or service jobs. By 1960, blue-collar workers (skilled, semiskilled, and unskilled) had replaced farmers as the largest rural occupational group, but many rural workers with limited education can qualify only for the lower skilled, lower paid nonfarm jobs.

The difficulties many rural workers face in obtaining adequate employment are not reflected in differentially high rates of unemployment (in 1960, their unemployment rate averaged 5.3 percent compared with 5.1 percent for urban workers). The pervasive problem for rural workers is underemployment in terms of irregular work and low earnings, rather than total lack of work. The extent of rural underemployment is difficult to measure. Its magnitude is suggested, however, by the estimate that if the rural labor force had been utilized as efficiently as was the labor force of the country as a whole, the money income of the Nation in 1965 would have been increased by some $10 billion.[16] The incidence of underemployment is undoubtedly greater among farm than rural nonfarm workers, owing mainly to the seasonal and erratic nature of agricultural work.

Reflecting this extensive underemployment, rural incomes lag far behind those of urban residents, even after making full allowance for income in kind received by farm residents. The average cash income of a farm family was about 60 percent of that of an urban family in 1960 (the inclusion of income in kind would increase this percentage

[14] The rural population is defined as persons living on farms or in communities of less than 2,500.

[15] For a discussion of the educational attainment of rural residents, see *1967 Manpower Report*, p. 109.

[16] Ibid.

somewhat), while nonfarm rural residents averaged about 85 percent of the average urban income.

Altogether, about 11 million rural Americans (or one-fifth of the rural population) lived in poverty in 1966, according to the Office of Economic Opportunity. But this is not the whole story. Levels of living in rural areas all too often compare unfavorably with urban conditions. Educational facilities, health services and medical facilities, and social and cultural activities are severely limited in many rural areas. Housing conditions, too, are often bad. Thus, even provision of job opportunities would not be sufficient to shut off the tide of rural out-migration, especially as young people everywhere tend to be restless in search of better opportunities. But economic development may be expected to reduce the flow, and it is the prerequisite for the provision of more adequate services of all kinds.

The development of more jobs in rural areas is particularly important for those rural residents who are "boxed in" because of age, ill health, or other problems. The Department of Agriculture has estimated that almost two-thirds of all rural "poverty" families were in this situation in 1959—unable to leave farms or find nonfarm jobs, whatever their needs or desires in the matter.

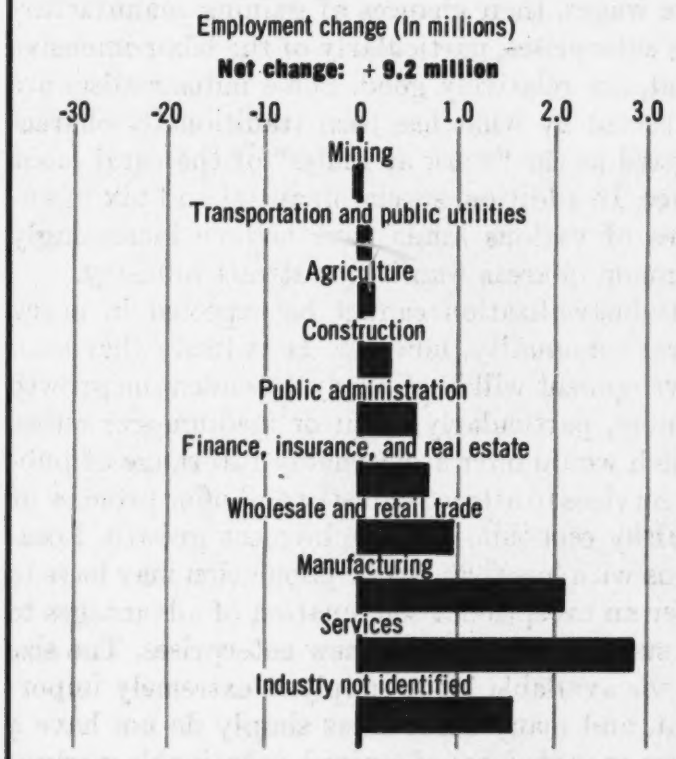
Rural Industry

In 1967 only 3.8 million persons were employed in agriculture, a 50-percent decline over the postwar period. Similarly, most mining activities, extremely important in many rural areas, have had great declines in employment over the years, although this decline may be leveling out now. Construction has provided relatively few additional jobs in these areas. And employment in transportation and public utilities, on balance, has risen only slightly; the gains in some industries within this group have been offset by declines in railroad employment, which have been relatively sharp in rural areas. Employment increases in rural as in urban areas have been concentrated chiefly in manufacturing, services, and trade. (See chart 22.)

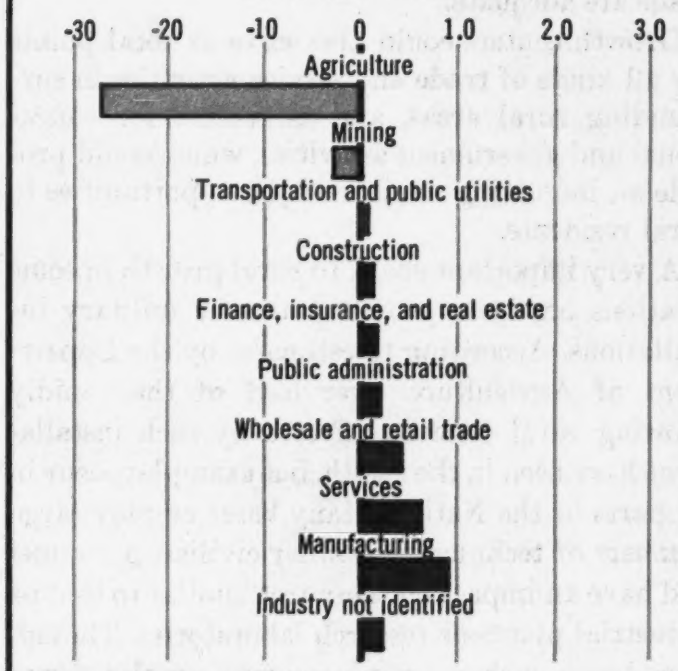
In most rural counties which have enjoyed economic and employment growth, this expansion has been sparked by manufacturing activities. However, some counties bordering on metropolitan

CHART 22

Almost all industries increased employment in urban areas from 1950-60...



but in rural areas declines in agriculture and mining more than offset gains in other industries.



Note: Data based on place of residence.

Source: U.S. Department of Labor, based on data from the U.S. Department of Commerce.

centers have prospered by serving as bedroom communities, though they have also benefited from some industrial growth. Almost invariably, rural growth counties have access to good transportation facilities. When such counties also have unskilled but trainable people willing to work for competitive wages, their chances of gaining manufacturing enterprises, particularly of the labor-intensive kind, are relatively good. Some industrialists are attracted by what has been traditionally characterized as the "work attitudes" of the rural labor force. In addition, special financial and tax incentives of various kinds have become increasingly common in areas wanting to attract industry.

Industrialization cannot be expected in every rural community, however. It is likely that such development will be strongly dependent on growth centers, particularly small or medium-size cities, which would offer a reasonably full range of public services to attract industry and offer promise of healthy economic and employment growth. Locations with less than 10,000 population may have to offer an exceptional combination of advantages to be successful in gaining new enterprises. The size of the available labor supply is extremely important, and many rural areas simply do not have a large enough force of trained or trainable workers and potential workers—even after taking into account the often extremely wide range of rural commuting, which may extend to a 50-mile radius if roads are adequate.

Growth centers could also serve as focal points for all kinds of trade and service activities in surrounding rural areas, and as centers for educational and government activities, which could provide an increasing number of job opportunities to rural residents.

A very important spark to rural growth in some locations has been provided also by military installations. According to estimates by the Department of Agriculture, over half of the rapidly growing rural counties affected by such installations have been in the South, but examples occur in all parts of the Nation. Many bases employ large numbers of technical and other civilian personnel and have an impact on their area similar to that of industrial plants or research laboratories. Though some bases, such as training camps, employ fewer civilians, they all have some effect—and usually an important one—on the economy of nearby communities.

Although the establishment of military bases and defense plants has benefited many rural areas, these developments do not necessarily confer long-term economic and employment advantages unless accompanied or followed by the growth of industries unrelated to defense activities. Unless this diversification can be achieved, reductions or shifts in military expenditures could result in severe economic hardships for communities left stranded by the closing of military bases or defense plants. However, in a number of instances in the past, organized local efforts and Government assistance in providing new employment opportunities have resulted in economic adjustments within a reasonably short time.

Educational institutions, many of which are located in small cities and towns, have also stimulated economic growth in a sizable number of rural counties. Recreation and retirement activities have been another important source of employment and economic strength. These activities have been particularly important in areas with a mild climate or exceptional scenic beauty. Recreational facilities require considerable investment before yielding significant returns even in areas well endowed with these special attractions, and they do not appear to have as much income- and employment-creating potential as manufacturing plants. However, demands for educational, recreational, and retirement facilities are likely to persist, and areas able to capitalize on these trends should continue to achieve above-average growth in production, employment, and income.

Rural Development

Economic and employment development in rural areas thus faces many diverse problems, depending on the area concerned. By and large, counties on the fringe of metropolitan areas face a bright future. Other areas are less fortunately situated. For some people in these areas—especially youth—out-migration may be the only solution, while those unable to migrate will need an array of welfare services.

For many areas, the provision of better transportation facilities will permit more intensive economic development. Such facilities will also

help to bring more rural areas within commuting distance of growth centers, where new industry can be established and needed public and social services supplied. Thus, rural residents could be provided with access to the educational, health, and cultural amenities available in nearby urban centers.

Within the next 20 to 30 years, the establishment of entirely new growth centers, as well as the expansion of some existing small towns into growth centers, is likely. At present there is little agreement concerning the optimum population size of such centers. Much will depend on local conditions. Sizes of 50,000 to 500,000 population or more for new centers have been mentioned. However, for many areas, growth centers with 10,000 to 50,000 people may be adequate. If such growth centers can offer a variety of needed economic, educational, and social services for their surrounding rural areas, they are likely to be effective instruments of rural modernization and employment opportunity in most regions of the United States.

A whole array of public and private measures will be needed to transform the potential demand for the workers and other resources available in rural America into effective demand by private industry. Such measures will include a strengthening of transportation facilities and public services of all kinds, including improved education and training of rural residents. Investment grants and loans, tax advantages, and other special incentives to industry may also be necessary to activate the vigorous growth potential that lies dormant in so many rural communities.

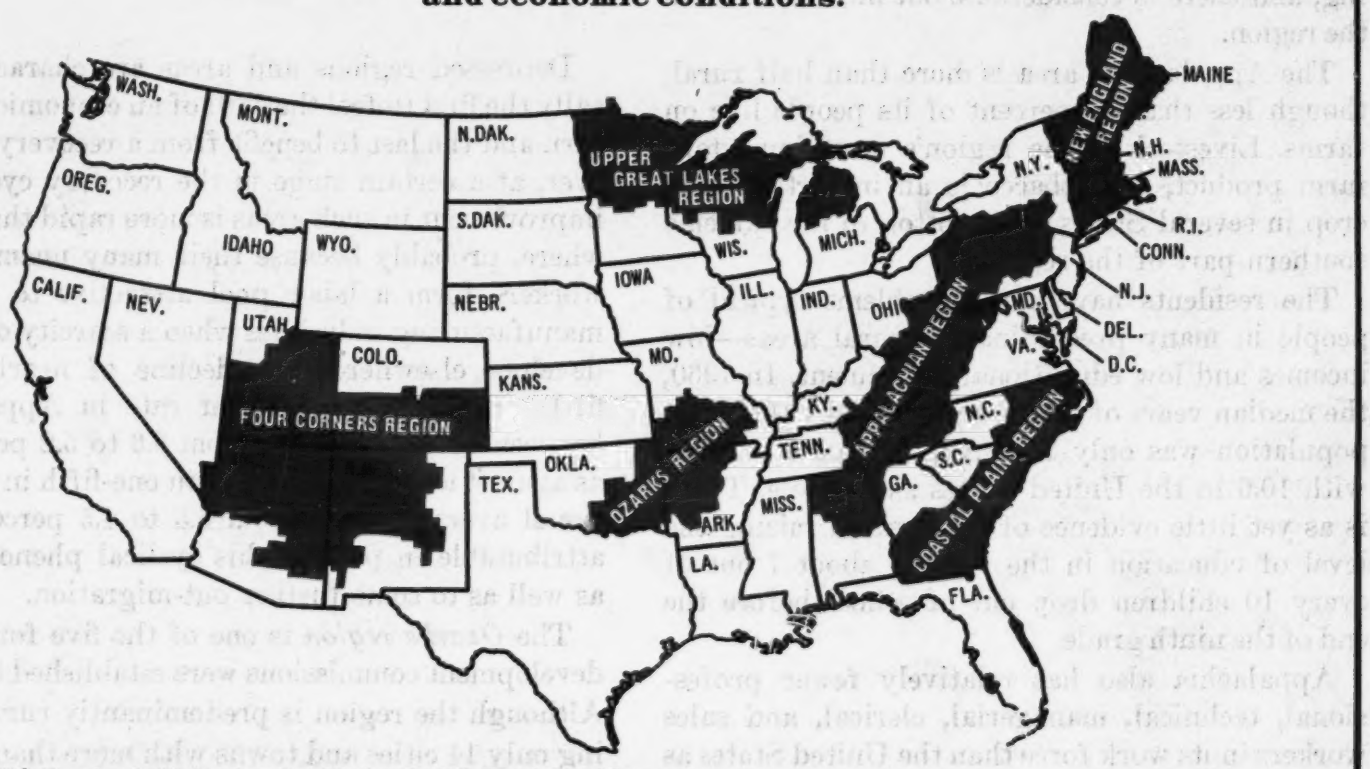
DEVELOPMENT REGIONS

A number of predominantly rural regions with pervasive problems of joblessness, underemployment, and poverty have long been identified. All of these transcend State boundaries, so that a concerted attack on their problems frequently requires a multistate effort.

Regional Development Commissions now have been set up for six regions, in explicit recognition of these regions' urgent need for development assistance. (See chart 23.) The programs of these commissions are discussed later in the chapter.

CHART 23

Six development regions aim to revitalize employment and economic conditions.



Source: U.S. Department of Labor, based on data from the U.S. Department of Commerce.

Some highlights of the major economic and social ills besetting each region, and of the factors likely to affect their future development, will serve to illustrate, however, the kinds of problems facing workers and their dependents in the country's least prosperous sectors.

Appalachia—the region for which a commission was established first, in 1965—includes parts of 12 States and all of West Virginia. Altogether, it is equal to California in size and contains 18.5 million people, or 9 percent of the Nation's population. It includes metropolitan areas varying in size from major centers such as Pittsburgh, to centers such as Charleston, W. Va. Its problems are most acute, however, in rural and semirural communities, often in isolated parts of the region.

For a long time, the region has suffered from a multiplicity of economic problems. Some of its coal mines are worked out, and many currently in production are highly mechanized and use fewer workers than before. Coal, although presently making an economic comeback, has lost its preeminent position as an energy source. Much of the region's steelmaking capacity is obsolete. Its rough topography makes agriculture a marginal endeavor for many farmers. Manufacturing operations are absent from large sections of the region, and employment in trade and service industries has grown much more slowly than in the country generally. Adequate transportation facilities are lacking, and there is considerable out-migration from the region.

The Appalachian area is more than half rural, though less than 10 percent of its people live on farms. Livestock is the region's most important farm product, but tobacco is an important cash crop in several States, as is cotton in the extreme southern part of the region.

The residents have acute problems typical of people in many predominantly rural areas—low incomes and low educational attainment. In 1960, the median years of school completed by the adult population was only 8 in Appalachia, compared with 10.6 in the United States as a whole. There is as yet little evidence of progress in raising the level of education in the region; about 7 out of every 10 children drop out of school before the end of the ninth grade.

Appalachia also has relatively fewer professional, technical, managerial, clerical, and sales workers in its work force than the United States as a whole, and relatively more operatives and laborers. (See table 4.) The median age of its workers is above the national average—undoubtedly reflecting the heavy out-migration of younger people.

TABLE 4. EMPLOYED PERSONS BY OCCUPATION GROUP, UNITED STATES AND APPALACHIA, 1960

[Percent distribution]

Occupation group	United States	Appalachia
All occupations:		
Number (thousands) [1]	61,456	5,609
Percent	100.0	100.0
Professional and technical workers	11.8	10.0
Managers, officials, and proprietors	8.8	7.2
Clerical workers	15.1	11.4
Sales workers	7.6	7.0
Craftsmen and foremen	14.2	14.9
Operatives	19.4	25.3
Nonfarm laborers	5.1	6.5
Service workers, including private household workers	11.7	10.7
Farmers and farm laborers	6.5	7.0

[1] Includes occupations reported only.

NOTE: Detail may not add to totals due to rounding.

SOURCE: *U.S. Census of Population, 1960.*

Depressed regions and areas are characteristically the first to feel the chill of an economic downturn and the last to benefit from a recovery. However, at a certain stage in the recovery cycle, the improvement in such areas is more rapid than elsewhere, probably because their many unemployed workers form a labor pool attractive to certain manufacturing industries when a scarcity of labor develops elsewhere. The decline of nearly two-fifths in the unemployment rate in Appalachia between 1962 and 1965 (from 8.6 to 5.2 percent), as against a decline of less than one-fifth in the national average rate (from 5.5 to 4.5 percent), is attributable in part to this cyclical phenomenon, as well as to some further out-migration.

The *Ozarks region* is one of the five for which development commissions were established in 1966. Although the region is predominantly rural, having only 14 cities and towns with more than 10,000 population, it has on its immediate periphery

many of the major urban centers of the midcontinent. Farming and extraction of natural resources have been the predominant economic base of the region for several generations. Because of technological changes and market shifts, the region's labor force in recent years has suffered increasingly from both underemployment and unemployment. A high percentage of the area's young people have migrated to places where jobs were more easily obtained.

The States and localities of the region have made great efforts in public education, however, and in recent years, manufacturing has expanded rapidly in parts of the region, but not in sufficient quantity or quality, from the viewpoint of skilled employment, to solve the region's underemployment problems. The programs now being undertaken are therefore aimed at attracting higher wage industries (as discussed in the later section on Economic Development Programs).

The *New England development region*, unlike the others, is predominantly urban and of great economic diversity, though a few of the States included are heavily rural. The problems faced by rural Vermont, for example, are quite different from those of the declining textile and leather areas of Rhode Island and Massachusetts, while the new electronics plants and other growth industries established in the greater Boston area and in parts of Connecticut have little in common with the industries characteristic of other parts of New England.

Employment growth in New England has been slower than in the country as a whole for many years. Between 1961 and 1966, for example, the average annual rate of growth in nonfarm employment was only 2.4 percent, compared with a national average rate of 3.4 percent. However, the region has attracted some new industries, largely on the basis of a labor force whose educational qualifications are above the U.S. average. This has been true even in the northern States (Vermont, New Hampshire, and Maine), which are still the least developed economically. Elsewhere, employment losses in declining industries, such as textiles and leather, have been more than replaced by job growth in technologically advanced industries. This process, however, has not been without its strains and stresses and has resulted in severe employment imbalances in Rhode Island, in parts of Massachusetts, and in eastern Connecticut.

New England, less than generously endowed with natural resources, has always made progress through the skills and resourcefulness of its workers. They comprise an inestimable asset on which the region can capitalize to attract more research-oriented industries and professional and allied types of employment.

The *Four Corners development region* covers large, often desolate, mountainous and arid areas on the borders of Utah, Colorado, New Mexico, and Arizona. The region contains many Mexican Americans and also many American Indians—the two most impoverished, underemployed, and underprivileged ethnic minority groups in the country.[17]

The region's climate and topography make agriculture of minor importance. Its mining industry has had ups and downs but retains its importance, while manufacturing and trade and other service-producing industries (other than government employment) are but little developed.

The area has, however, considerable tourist potential, and its many unemployed workers could help to staff more manufacturing industry. But incentives would have to be substantial to induce industry to locate in what is still one of the Nation's most isolated and sparsely settled areas.

The *Coastal Plains region* comprises the coastal regions of North and South Carolina and Georgia. While manufacturing industry and employment have shown dynamic growth in these States in recent years, this growth has taken place largely in the Piedmont and Sub-Piedmont areas away from the coast.

Although there has been recent evidence of economic development (mostly in manufacturing) in the Coastal Plains region, the region still has many underemployed and undereducated workers and has traditionally been a low wage area. In addition, the sharp and continuing decline in agricultural employment has led to a great deal of underemployment and poverty, particularly among the region's large Negro population. Outmigration from the area is likely to continue even if moderate economic progress is attained.

Nonetheless, with better communications and transportation facilities and a determined effort to give its workers better training through a system of technical and vocational institutes, the region should be well-placed to attract more manufacturing industry, and this should lead to

[17] See discussion of Equality of Opportunity in chapter on New Perspectives on Manpower Problems and Measures.

increased employment in the service industries as well.

The once prosperous *Upper Great Lakes region* is sustained largely by the mining, forestry, and fishing industries, all of which have had shrinking employment. While per capita income is low (three-fourths of the national average), the region's population of almost 3 million has an educational level that compares well with the U.S. average and is a source of strength for the future. The region is handicapped by its relative isolation from the mainstream of American life, but its adaptable labor force, its scenic attractions suitable for tourism, and a revival of its traditional resource-based industries could combine to give the area and its workers solid hope for future progress.

LABOR AREAS

Both within and outside these broad development regions, there are a considerable number of local labor areas with substantial unemployment.[18] This is shown by the Department of Labor's classification of areas according to their labor-supply situation. The 150 major labor areas—which comprise most of the Nation's metropolitan areas—are classified monthly as having low, moderate, or substantial unemployment.[19] In addition, labor areas, cities, and counties may be designated as "areas of persistent unemployment" when they meet specified criteria.[20] Smaller and very small areas are added to the "substantial" or "persistent" unemployment categories when their situation warrants.

In December 1967, nine major labor areas and 497 smaller ones were in the substantial or persistent unemployment categories. The cities of Newark, Oakland, and San Diego have also been so designated. This classification makes areas eligible for some assistance under the Public Works and Economic Development Act of 1965 and certain other Federal programs (as discussed later in this chapter).

Under a new program designed to identify sections of cities or States with high unemployment or underemployment, the Department of Labor has so classified sections of 70 cities and parts of two States (northern Michigan and the Delta section of Mississippi). The 70 urban sections include target neighborhoods of both the Concentrated Employment Program and the Model Cities Program. Early in 1968, 16 large Indian reservations and 15 counties in eastern Kentucky were also classified as sections of concentrated unemployment or underemployment. Neighborhoods and rural sections so classified are given special emphasis in manpower and poverty programs. Moreover, companies in these areas are eligible for priority in the award of Federal contracts, provided they have made a commitment to hire disadvantaged workers.

That the unemployment situation in local areas is markedly influenced by overall economic conditions is plain from the great reduction in the number of areas classified as having substantial or persistent unemployment during the current economic upturn. From 88 in early 1961, the number of major labor areas in this category fell to only nine in December 1967 and then rose slightly (to 11 in February 1968).

The geographic distribution of these high-unemployment areas was as follows: three in California (Fresno, San Bernardino-Riverside-Ontario, and Stockton—plus the cities of San Diego and Oakland), two in Massachusetts, one in Pennsylvania, two in Puerto Rico, and one in Wisconsin. With the exception of the one in Wisconsin, all of the above areas had been in the depressed categories for at least a year. Five of these areas—Altoona (Pa.), Lowell and Fall River (Mass.), and Ponce and Mayaguez in Puerto Rico—have been so classified since November 1961.

The situation in these areas suggests some of the factors that can create distressed labor areas. The problems of the California areas stem from an influx of migrants, sometimes in excess of the number the economy can absorb, plus localized cutbacks in certain defense industries. The Massa-

[18] A "labor area," as defined by the Department of Labor's Bureau of Employment Security, consists of a central city or cities and surrounding territory within commuting distance. Labor areas usually include one or more entire counties, except in New England, where towns are considered the major geographical units. Labor areas range in size from: (1) "Major labor areas," which usually have at least one central city with a population of 50,000 or more (its boundaries generally coincide with those of Standard Metropolitan Statistical Areas); (2) "smaller labor areas," which contain an estimated work force of at least 15,000 and an estimated nonagricultural wage and salary employment of at least 8,000; and (3) "very small labor areas," whose population and employment are less than "smaller areas," but which have a population of at least 1,500.

[19] See discussion of Unemployment Rates in chapter on New Perspectives on Manpower Problems and Measures for definitions of these categories and numbers of areas in each of them.

[20] The unemployment rate must have averaged 6 percent or more and have been 50 percent above the national average for 3 of the preceding 4 years (or still further above it for a smaller number of years).

chusetts, Pennsylvania, and Puerto Rican areas are affected by longstanding economic and technological problems. The Wisconsin area suffered from the problems of one major company. Many of the smaller depressed areas are in Alaska, whose economy has been slack for some time, and in a number of southern States which have been affected by the decline in agricultural employment.

The employment declines in agriculture and mining may be seen, to a more limited extent, in the listing of certain midwestern areas in the "substantial or persistent unemployment" categories. West Virginia also has a great many smaller areas still in these categories, indicating that its recovery has not been so strong in the smaller as in the larger areas. However, West Virginia and Pennsylvania have substantially reduced the number of their major depressed areas since 1961. To some extent this has been due to the general improvement in business conditions. But a vigorous policy of encouraging industrial development, plus considerable out-migration from depressed areas, has resulted in significant progress for both States, with the Pennsylvania unemployment rate actually below the national rate in 1967.

Migration and Industrial Location Factors

Manpower, economic, and industrial conditions in different parts of the country are influenced by economic developments elsewhere, as reflected in the migration of people and the flow of capital and other resources. Generally, manpower and economic imbalances are likely to be reduced over time—with the movement of people and industrial resources to new areas, pushed by the lack of earning opportunities or pulled by the promise of better ones.

The American people have, during most of their history, reacted to calls of opportunity by a strong inclination to "pull up stakes" and seek more fulfilling lives, whether measured in economic or other terms. Industry has responded to new opportunities with equal vigor. Frontiers have been breached in the quest for new resources, and capital has continually sought new outlets for investment. These largely private activities have led to a vast amount of economic growth and have opened new opportunities. But they have by no means eliminated the economy's geographic imbalances. In many areas of the Nation, the forces of progress have skipped places and people that now need help.

MIGRATION

The labor resources in an area are one of the most significant factors in its economic development. In many areas, migration has substantially added to, or subtracted from, the manpower available. Furthermore, as already suggested, most migration seems to assist in the balancing of the economy, and almost all is undertaken without assistance. However, migration has also meant new problems for many people, and for many of the areas which have lost or gained population.

Following is a brief review of some aspects of migration and its manpower consequences. Much of the information is in terms of net migration, the form in which most of the detailed statistics relating to migration has been published. For certain purposes, particularly to identify the specific demographic and labor force characteristics of groups of people, gross flow data are preferable. Where sufficient data on this basis are available, they have been incorporated into the following presentation.[21]

The American people are highly mobile. In any year, about 6 percent of the Nation's population can be expected to move across county lines to a new residence. Who moves, where they go, and why they move are significant questions in any evaluation of the geographic aspects of manpower policy.[22]

The people who move tend to be the young and also those who are above average in education,

[21] The basic migration data are from the U.S. Decennial *Census of Population* and the annually published Current Population Reports, Series P–20.

[22] For a more comprehensive discussion of migration, see John B. Lansing and Eva Mueller, *The Geographic Mobility of Labor* (Ann Arbor, Mich.: University of Michigan, Institute of Social Research, 1967). Also see *1965 Manpower Report*, p. 145 ff.

skill, and income. During most of the postwar period, migration between labor areas has been less for Negroes than for whites in the country as a whole, in relative terms as well as absolute numbers, and this differential has been widening. The lower mobility of Negroes is explained largely by the lower skills, education, and income level of the Negroes.

Most men are employed when they migrate, and many move to take other—presumably better—jobs. Nevertheless, the rate of migration is about twice as high among unemployed as employed workers. Clearly, unemployment and the search for work are very important motivations for migration.

To a large though still undetermined extent, migration takes place in response to the changing locale of employment opportunities, which is a direct result of the relocation of economic activity. There are two types of relationships between migration and economic development. First, migration acts as a key factor in an adjustment process whereby labor moves from where it is redundant to where it is needed; second, and more significant for the long run, the movement of labor attracts business to areas which are growing, because the right skills and qualities of labor are available and because purchases by workers and their families increase market opportunities. In other words, areas which tend initially to attract people reinforce this attraction through the process of migration.

Gross out-migration from an area is heavily influenced by life cycle events—for example, young people leave parental households to take or look for jobs, people over 60 move after retirement, and wives follow their husbands. The age distribution of the population is thus an important determinant of out-migration. There is even some evidence which suggests that the proportion of a given age group which leaves an area (i.e., the out-migration rate) tends to be similar among all areas and not to change much over time.[23] However, out-migration rates vary widely among age groups, as well as by level of education and skill. In general, they become smaller for persons past age 35, owing in part to the job protection afforded by increased experience and seniority, and to the effects of family responsibilities and attachment to a given environment.

Gross in-migration to an area is determined primarily by the economic opportunities the area offers and its attraction for out-migrants from other areas. However, some people migrate for mainly noneconomic reasons (e.g., retired people to Florida and Arizona and students to university centers). Furthermore, many migrants who move primarily for economic reasons choose their specific destinations on the basis of noneconomic factors as well.

Rural to Urban Migration

Rural people have for many years sought employment in the Nation's cities. This has reflected the attraction of better paying, nonfarm jobs in cities and the declining need for farmworkers brought about by advances in agricultural technology and productivity. While most of the migrants from the rural areas are the young and better educated, there are many who are poor, have inadequate education, or lack marketable skills. Among these are Negroes from the South, who generally make long-distance moves towards large population centers throughout the country, and whites from Appalachia, who usually locate in the North Central region and the West.[24]

During the 1950's, predominantly rural counties [25] experienced a net loss of 4.6 million people through migration, all of which occurred in the South and North Central States. (See chart 24.) By contrast, the rural counties in the Northeastern States showed a net migration gain of 400,000. The West was the only major region that experienced almost no net change through migration in and out of such counties, although there were many offsetting population shifts within this region.

On the other hand, predominantly urban counties had a net gain of 7.3 million through in-migration between 1950 and 1960 (including 2.7 million people from outside the country). Over four-fifths of the net in-migration to urban counties was in the West and the South. The rest of

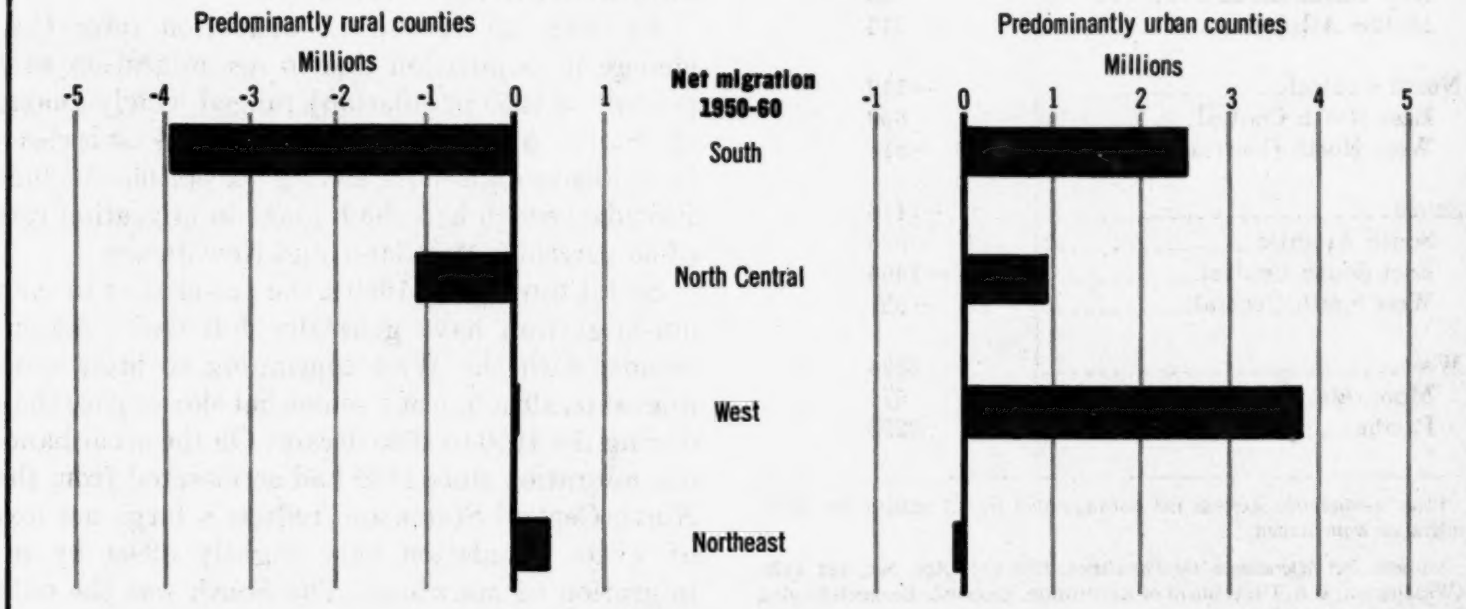
[23] Ira S. Lowry, *Migration and Metropolitan Growth: Two Analytical Models* (Los Angeles: University of California, 1966). See also Lansing and Mueller, op. cit., ch. 3. Lowry's findings, based on SMSA migration data, were confirmed by the National Planning Association's subnational projection model, using State data.

[24] For additional information on rural-to-urban migration, see Calvin L. Beale, Vera J. Banks, and Gladys K. Bowles, *Trends and Outlook for Rural Migration* (Washington: U.S. Department of Agriculture, Economic Research Service, 1966).

[25] Predominantly rural counties are those in which at least 50 percent of the population is classified as rural.

CHART 24

Migration losses were substantial from rural counties in South and North Central regions...urban counties had large migration gains in all regions except the Northeast.



Source: U.S. Department of Labor, based on data from the U.S. Department of Commerce.

the gain occurred in the North Central States. In contrast, the Northeast showed a migration loss of 100,000 from predominantly urban counties. But more significantly, this net figure was the result of a 600,000 loss of white population—probably in the main to suburbs and other nearby rural areas—and an influx of 500,000 nonwhites.

The most significant single aspect of the rural migration is the strong selectivity by age. An analysis of the age characteristics of the population of predominantly rural counties reveals that from 1950 to 1960, about 80 percent of the population depletion was among people under 30 in 1960.

In absolute numbers, the migration of whites from predominantly rural counties exceeded that of nonwhites. But in terms of the rate of migration relative to population, the situation was reversed.[26] In counties that were over 70 percent rural, the net out-migration among whites was 2.9 million, as compared to 1.2 million for nonwhites between 1950 and 1960, while the rate of out-migration for nonwhites was over twice that for whites. One out of every four nonwhites migrated out of these counties. In counties that were only 50 to 70 percent rural, there was almost no net migration of whites, but the rate of out-migration for nonwhites was 15 percent.

[26] Rates of migration are calculated on the basis of the population segment expected to survive to the end of the period.

Interregional Migration

During the 1950's, the basic net migration pattern among the major regions of the country was highlighted by heavy flows to the West and from the South. Lesser net flows characterized the Northeast and North Central regions. (See table 5.) Net migration among regions is affected not only by the fundamental rural to urban shifts described earlier, but also by interurban flows, cross migration—including people returning to places from which they had migrated—and the net impact of foreign in-migration.

The search for new opportunities has been dramatically evident in the continued shift to the West—a tradition which has persisted ever since gold was discovered in California in 1849. All in all, a net 3.9 million people migrated to the West

TABLE 5. NET MIGRATION BY REGION, 1950 TO 1960 [1]

[Thousands]

Region	Net migration
Northeast	336
New England	23
Middle Atlantic	313
North Central	−119
East North Central	699
West North Central	−818
South	−1416
South Atlantic	635
East South Central	−1464
West South Central	−587
West	3864
Mountain	571
Pacific	3293

[1] Net in-migration exceeds net out-migration by 2.7 million due to in-migration from abroad.

SOURCE: *Net Migration of the Population, 1950-60 by Age, Sex, and Color* (Washington: U.S. Department of Agriculture, Economic Research Service, November 1965), vol. II.

during the 1950's, of whom about 3.1 million settled in California, helping to lay the foundation for the State's takeover of first place in the ranking of State populations in the early 1960's.

By contrast, the South lost almost 1½ million people through net out-migration. This reflected the exodus of many rural residents—white and nonwhite—who were particularly hard hit by advancing farm technology affecting several of the region's major crops. Population losses were severe in most States of the South. Only five—Delaware, Florida, Maryland, Texas, and Virginia—showed increases, with Florida accounting for almost all of the gain.

The Northeast, comprising the New England and Middle Atlantic States, showed an increase of about 340,000 people from net in-migration. The bulk of this increase was in New Jersey, Connecticut, and New York, as these States with their large metropolitan centers continued to attract migrants from other sections of the country.

Over 100,000 people, on balance, migrated from the great complex of States in the North Central region during the 1950's. But this out-migration reflected sharply divergent trends between the western part of the region—which lost over 800,000 people, many of them farmworkers seeking new opportunities in more industrialized areas—and the eastern portion which gained almost 700,000. The important manufacturing areas of Ohio, Michigan, and Illinois benefited particularly from this net in-migration.

As chart 25 shows, net migration rates (i.e., change in population due to net migration as a percent of 1950 population) ranged widely among the States. Although the trend to the West is clearly evident, some outstanding exceptions include Florida (which had the highest in-migration rate of 58 percent), Maryland, and New Jersey.

So far during the 1960's, the patterns of in- and out-migration have generally followed previous trends, with the West continuing to attract in-migrants, although at a somewhat slower pace than during the 1950 to 1960 decade. On the other hand, out-migration since 1960 had accelerated from the North Central States and reflects a large net loss of white population only slightly offset by in-migration of nonwhites. The South was the only broad region in which previous migration patterns were reversed—shifting from a region of substantial out-migration to a net gainer through in-migration. There has been a large net inflow of whites in response to improving economic conditions in the southern States, especially in their metropolitan areas. At the same time, nonwhites have continued to leave the South.

Central City-Suburban Ring Migration

The wholesale movement of white people from central city areas to suburban communities has been a continuous migration pattern during the post-World War II period. This movement of whites to the suburbs stems only in part from the increase in suburban job opportunities (discussed earlier in this chapter). It also reflects a preference for these residential communities, with their superior school systems and other attractions. The congestion, deterioration of services, crime, and physical decay of central cities have also stimulated white out-migration from the cities. Finally, part of this movement must be attributed to racial prejudice—the desire to escape the increasing concentration of Negroes in the central city.

Negroes, in contrast, are generally prevented from making the same choice. They are kept out of

suburbia, sometimes by discriminatory real estate practices, sometimes by lack of income, sometimes by the lack of education and job skills needed to take advantage of the better suburban jobs, and all too frequently by many or all of these combined.

Reasons for Migration

Most people who move from one county to another give as their reason for moving a job or income-related factor. Those in the strongest economic position—the more skilled and educated—are likely to give an economic reason as the motivating factor more often than other people.[27]

About one-fourth of the people who move between labor areas do so wholly or partly for family reasons. And about half of all the movers (including those migrating for economic reasons) go to areas where they already have family ties. The converse of this is that when family ties are established in a particular place, this tends to inhibit migration to other areas. Negroes much more than whites go to areas where members of their families already live.

A number of movers—about 20 percent—indicate that their selection of a place to move to is based on the general attractiveness of the area, its climate, and the amenities that it offers.

Homeownership, pension plan coverage, unemployment insurance rights, and welfare payments do not seem to be strong barriers to mobility on an overall basis, although among middle-aged and older people such factors may constitute substantial obstacles. However, programs to remove these barriers are likely to facilitate migration of particular groups. For individuals unable to make the transition from one environment to another without assistance, special relocation assistance projects have already been developed, on an experimental basis, under the Manpower Development and Training Act.

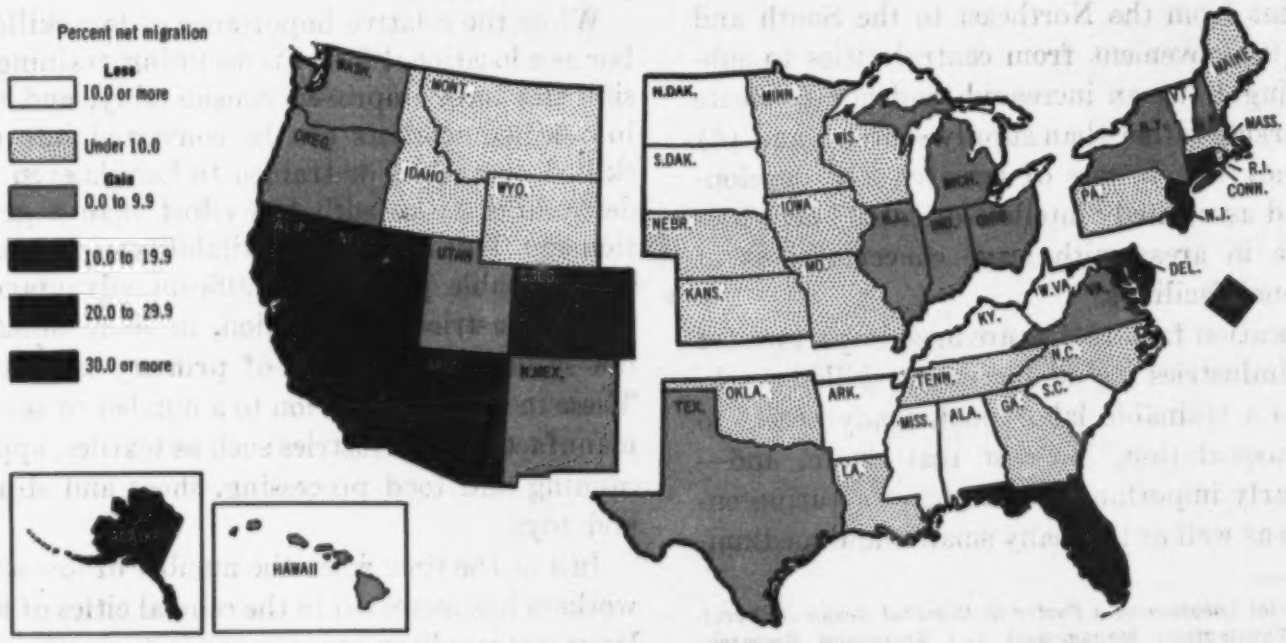
The lack of economic opportunity in a lagging area apparently has less effect in stimulating outmigration than inhibiting in-migration. But the total result of the migration process is a weakened labor force, because of the outflow of youth and persons in the central age bracket without com-

[27] Lansing and Mueller, op. cit., p. 336 ff.

CHART 25

Rates of in-migration were highest in the West between 1950 and 1960, with losses due to out-migration concentrated in the South (except Florida).

Net migration, 1950 to 1960, as percent of 1950 population, by States



Source: U.S. Department of Labor, based on data from the U.S. Department of Commerce.

pensating in-migration of people in these age groups. The net effect is, thus, to hamper the area's future economic development. As the population loses more and more of its younger, better educated members, the labor force becomes even more unsatisfactory to industry and the lagging areas become still more depressed. To break this cycle and make these areas more attractive to productive and energetic in-migrants and so to improve the quality of the labor force are prime objectives of manpower and economic development programs.

INDUSTRIAL LOCATION FACTORS

Traditionally, market-oriented industries have tended to locate in the Northeast; raw material-oriented industries have found sites near their particular sources of supply, wherever these are located; and industries needing low-skilled labor have tended to locate in the South. Today, these historic location patterns are changing, because of more efficient transportation and a number of other factors. Natural raw material sources are declining in importance, as the supplies of these materials are depleted and industries place more reliance upon manufactured synthetics. Technological advances in the production and transmission of energy and greater interarea equalization of the price of labor have also been contributing factors.

Recent trends in industrial location are: (1) Movement from the Northeast to the South and West; (2) movement from central cities to suburban rings; (3) an increased tendency to locate near markets rather than supply sources; and (4) a tendency for clusters of research and development and associated "intellect-oriented" activities to locate in areas with large concentrations of educational facilities.[28]

The location factors that are most important for today's industries include access to skilled workers or to a trainable labor pool, ready access to fast transportation, low-cost real estate, and—particularly important for nonmanufacturing enterprises as well as for many smaller and medium-sized manufacturing firms—the availability of diversified business services.

Many of these factors are available or can be readily attracted to a considerable number of areas, making industry much more mobile than in the past. While our central cities have been the locale of many of these factors and constitute probably the largest reserve pool of unskilled labor, recent technological developments now make many rural and semirural locations a viable option for manufacturing industry for the first time.

Labor As a Factor in Plant Location

In locating new plants, as well as expanding existing ones, companies will usually seek out areas that can provide an adequate supply of labor with appropriate skills, wage levels, and productivity. These may be the most important determining factors in location decisions, particularly in manufacturing. Modern transportation facilities have greatly increased the geographical range from which a labor supply may be drawn. Rural areas with low traffic densities may have advantages, provided they are near transportation arteries. Since, in these areas, distance is less important than time spent in commuting, a commuting radius of 50 miles from a plant may be possible. On the other hand, metropolitan areas are generally in a more favorable position because they already have an existing labor pool containing many different types of skills and experience useful to potential employers.

While the relative importance of low-skilled labor as a locational factor is declining, training possibilities have improved considerably, and today low-skilled workers can be converted into semiskilled operatives or trained to handle even more demanding tasks with less effort than a generation ago. This makes the availability of low-skilled but trainable people a significant advantage for some industries. In addition, in some industries low-skilled labor is still of primary importance. These include, in addition to a number of services, manufacturing industries such as textiles, apparel, canning and food processing, shoes and slippers, and toys.

Just at the time when the number of low-skilled workers has increased in the central cities of many large metropolitan areas, manufacturing has been leaving these areas and going to the suburbs, small

[28] *Industrial Location as a Factor in Regional Economic Development* (Washington: Management and Economics Research, Inc., 1967, for the U.S. Department of Commerce, Economic Development Administration), pp. 31–37.

cities, and semirural locations in search of lower costs. The opportunities for employment of the low-skilled in many metropolitan areas are increasingly in the service industries, while in the nonfarm rural areas there are increasing opportunities in manufacturing.

The availability of skilled workers is a major locational factor in many industries. Examples of industries that require an adequate skilled labor supply include printing, some of the metalworking and electrical and nonelectrical machinery industries, and the instrument and allied products industry.

An abundant supply of skilled labor is rare in rural areas. Hence, industries requiring a relatively small proportion of skilled workers are likely to be the ones most suitable for rural locations. The availability of skilled labor in metropolitan areas, in addition to the reserves of low-skilled labor there, are factors that would favor these areas as sites for new or expanding industries. But as has been pointed out, most types of professional, technical, and skilled manpower are highly mobile and can be attracted to areas where they are not available in adequate supply. Also, skills can be developed through vocational training, apprenticeship, and on-the-job training of other kinds.

Other Location Factors

There are many factors other than labor that are important determinants of industrial and commercial location. In many industries, particularly in nonmanufacturing, so-called "agglomeration" factors resulting in external economies are of the utmost importance. When there are several enterprises of the same type in an area, their joint use of certain resources may reduce costs for all the companies involved. Cost savings are also possible when many business and professional services are available locally and can be utilized with a minimum expenditure of time and money. Finally, there are the manifold advantages that person-to-person communication in a major center affords to everyone in that area. This factor represents one of the principal advantages of central city locations.

Access to good transportation facilities continues to be one of the important location determinants. With the steady improvements in the Nation's highway network, ever-increasing numbers of localities can meet this requirement. Many rural and semirural areas with new highways now have, for the first time, the potential to attract industry.

Environmental factors also have a bearing on industrial location decisions. Prominent among these are general community attitudes toward incoming and existing industry, the quality of local government, proximity to institutions of higher education or research facilities, and the availability of good housing and plant sites at reasonable prices.

The importance of interarea differences in tax burdens as a location factor has been a subject of considerable controversy. In a recent study the Advisory Commission for Intergovernmental Relations found taxes to be of relatively minor importance, except in choices between alternative sites in different localities within the same metropolitan or labor area.

Generally, tax burdens for industry in the South Atlantic and the East and West South Central States are lower than elsewhere. Also, in most instances, taxes vary directly with the size of a community, being lowest in rural areas and highest in the largest metropolitan centers, reflecting in the main the greater number and quality of public services rendered in the larger communities.

In recent years, more and more localities have been offering financial incentives to new plants, and a significant number of industrial enterprises have been attracted by them. Such financial inducements, often reinforced by tax concessions, usually take the form of new plants and facilities constructed by the locality and made available to the manufacturer on very attractive terms.

Industry location factors differ in their significance according to the characteristics of the industry concerned. Nevertheless, some factors enter into location decisions more frequently and more significantly than others. Labor is the most important single factor for most manufacturing industries not dependent on proximity to natural resources.

It would take the compensating advantages of a combination of a great many other factors—such as the availability of shared business services, proximity to markets, and environmental advantages—to overcome the pull of labor cost and labor supply advantages.

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Federal Government Programs

In his Executive order creating the Federal Advisory Council on Regional Economic Development in December 1967, the President said: "Much work awaits us in rebuilding the cities of America to meet the needs of growing population. But we cannot afford to neglect the areas that lie beyond the cities or the people that live in them. They too must be permitted to share in America's great abundance."

To fulfill this Presidential directive will require not only physical rebuilding but also economic and employment growth and social renovation in the country's distressed and lagging areas, both urban and rural. A battery of Federal programs is aimed at these objectives. These are concerned with providing the highways and access roads that will open rural areas to economic development and ease commuting problems; with provision of the other public facilities and special incentives needed to attract business to depressed areas or new growth centers; with rehabilitation of residential housing and provision of needed health and social services; with improvements in education and training to equip workers with needed skills; and with a variety of manpower services aimed at better matching of workers and jobs.

These programs have as a major goal the improvement of employment opportunities and the quality of life for people in areas that do not now share in the national prosperity. Their effects on employment and unemployment, earnings, levels of training, and other manpower problems in different geographic areas are intended.

In addition, the operations of the Federal Government affect industrial and business growth and employment opportunities in different localities in other highly important but essentially unintended ways. Defense and other Government purchasing, for example, has unintended effects on the geography of manpower problems that may well be greater than the purposive effects of economic development, manpower, and related programs.

The major Federal programs that have regional and area employment consequences can be categorized as investment programs, procurement programs, and social and manpower programs.

Government investment programs can often provide the needed stimulus to development of lagging areas, though both public and private investment in productive facilities is required to meet these areas' problems. Public investment in transportation facilities is particularly important, since these facilities are a critical factor in attracting private firms and facilitating commuting to jobs. But in addition, the location of military installations, health and education facilities, and other Government services are important for the jobs they might create and the attractions to firms and families that they might offer.

State and local as well as Federal investment programs are, of course, required. But local governments are very often caught in the vicious circle of being unable to afford the needed investments precisely because economic development is lacking. The Federal Government, through grant and direct investment programs, can help break this circle.

For growing areas, public investments are needed to prevent deterioration in economic productivity and to improve environmental quality. This involves investment in facilities for education, health, transportation, and recreation, and the control of problems arising from pollution and congestion.

Federal procurement programs have great importance for areas that can compete for orders, because of the magnitude of Government purchases of goods and services—amounting to over 10 percent of the gross national product in recent years.

"Federal procurement policies, with a few minor exceptions, do not reflect regional economic development goals as a major consideration," according to the report of the Independent Study Board.[29] This is essentially because procurement officers seek to obtain goods or services of the needed quality at the lowest cost to the procuring agency. They therefore place orders in areas that have the skilled workers and the facilities required for efficient production, and these are usually not the areas in

[29] The Independent Study Board, consisting of 24 governmental and nongovernmental members and alternates, was established by the Secretary of Commerce, in accordance with the Public Works and Economic Development Act of 1965, to study "the effects of Government procurement, scientific, technical, and other related policies upon regional economic development." See *Report of the Independent Study Board on the Regional Effects of Government Procurement and Related Policies* (Washington: U.S. Department of Commerce, Economic Development Administration, December 1967), p. 24. The report contains an exhaustive treatment of Federal procurement, with associated policy recommendations.

need of economic development. In general, however, after taking account of the prime contracting, subcontracting, and supplier interactions, "the total impact of Federal expenditures closely follows the distribution of population among the States." [30]

Under special circumstances, however, Federal procurement might well be used as an instrument for stimulating economic and employment development in specific areas. Indeed, the Independent Study Board has recommended that "existing programs designed to encourage companies in distressed areas to compete for Government procurement contracts should be extended and strengthened." [31] Federal procurement costs might rise somewhat, as a result, but the total cost to the Nation might be reduced—as a result, for example, of reduced costs of welfare programs in depressed areas. However, even if used effectively for intended geographic consequences, Federal procurement would have only limited effects and "would not provide the stimulus needed to cure all regional economic ills." [32]

The objectives of *manpower and social programs* are interwoven with those of economic development. This is true for specific regions as well as for the country generally. Economic development provides the means for achieving higher levels of employment and earnings and increased social well-being; at the same time, these objectives define the need for economic development.

The thrust of Federal manpower programs has been described as a "lowering of geographical, age, skill, and racial barriers which prevented many individuals from competing effectively for existing jobs." [33] Such barriers to full employment opportunity exist almost everywhere to some degree, but they are heavily concentrated in certain kinds of areas. Thus, geographic considerations weigh heavily in the planning of manpower programs. Reflecting the philosophy that these programs should be geared to meeting local needs, 90 percent of the total Federal manpower budget is spent by State and local governments and private institutions—chiefly at the local level where the programs are implemented.

[30] Ibid., p. 11.
[31] Ibid., p. x.
[32] Ibid., p. ix.
[33] Sar A. Levitan and Garth L. Mangum, *Making Sense of Federal Manpower Policy* (Ann Arbor, Mich.: University of Michigan—Wayne State University, Institute of Labor and Industrial Relations, and the National Manpower Task Force, 1967), p. 2.

The following sections discuss some specific Federal programs—those judged to have the most direct and important geographic consequences. A great many other Federal programs also have some impact, mostly unintended, on economic development and employment opportunity in specific areas. In addition, training, job development, and other programs have had significant effects on employment and manpower development in many areas. And so have the Community Action Programs and other antipoverty efforts of the Office of Economic Opportunity. Some of the major developments in manpower and antipoverty programs are discussed in the chapter on New Developments in Manpower Programs, as well as previous *Manpower Reports.*

ECONOMIC DEVELOPMENT PROGRAMS

The Federal Government is committed to nationwide achievement of maximum levels of employment and economic well-being. The Government's broad powers and programs have contributed to a high rate of national growth and prosperity in the postwar years and particularly since 1961.

Unfortunately, many regions and areas have not participated fully in this growth. The Federal Government has accordingly undertaken several programs aimed at the economic development of the country's most depressed or underdeveloped regions and areas.

The first Federal redevelopment program was established under the Area Redevelopment Act of 1961. The ARA program specified criteria for the designation of redevelopment areas and provided financial assistance to help establish or promote the expansion of business that would create new employment in the affected areas. The act also established a small program of grants and loans for public facilities, a modest program of technical assistance, and a manpower retraining program (the latter function was largely transferred to the Department of Labor by the Manpower Act of 1965). For some areas the number of job opportunities created as a result of the program was substantial.

Appalachian Redevelopment

In 1965, the Government took a further step in its concern for lagging regions by calling for a

multistate approach to economic development under the Appalachian Regional Development Act. This act reflected the experience with earlier legislation, which indicated that economic development efforts can have only limited success when confined to local areas and that, for many areas, effective development can be achieved best through joint action by neighboring States.

The objective of the Appalachian program is to realize the potential inherent in the region's underdeveloped resources. Because of Appalachia's geographic and economic diversity, the program operates through 63 different planning districts. The general expectation is that public investments, by reducing impediments to growth and capitalizing upon identified development opportunities, will stimulate private investment in the region and move it steadily toward a self-sustaining economy.

Four kinds of public investments are stipulated by the act—transportation facilities to and within the region, improved natural resource utilization, improvements in community facilities and housing, and improvement in human resources. Almost $600 million have been appropriated under the act through fiscal 1968, of which about three-fifths was allocated for highways and local access roads. This heavy emphasis on the development of a transportation network is based on the relative isolation of much of the region. (And the mountainous terrain of the region makes road construction relatively expensive.) Despite its location close to the great urban industrial areas of the Atlantic Seaboard, the Midwest, and the South, Appalachia has been isolated from the flow of commerce among these areas. Some manufacturing enterprises for which access to a national market is critical have therefore stayed away from Appalachia. An improved transportation system would also help Appalachia's rural people commute to new jobs and services as they develop. Schools, health facilities, and industrial parks are being located on the new highway systems.

Improvement of the education and training of the people in the region is also essential in view of their below-average educational and occupational skill levels. An Advisory Committee on Education has therefore been appointed to develop recommendations for improving education in Appalachia. In a preliminary assessment, the Committee has indicated that the region's educational needs exceed the financial resources currently available.

To provide improved occupational training, a network of vocational and technical training institutions is under construction throughout Appalachia. In addition, through a joint effort by the Appalachian Regional Commission, and the Departments of Labor and of Health, Education, and Welfare, an appraisal is being made of future manpower needs to assist in the planning of vocational curriculums. And special financial assistance is being provided to the poorer local school districts under the Elementary and Secondary Education Act. It is too early yet to evaluate the effects of these efforts to strengthen education and training.

Pervasive health problems and lack of adequate health care also adversely affect the employability, as well as the general well-being, of the people of Appalachia. During 1967, however, a comprehensive program of health services was initiated in several parts of the region where these services are most deficient. Heavy emphasis in this program is on providing services to people in isolated places. The program is also being used for the training of needed health manpower.

The recent changes in Appalachia which stem from Federal and other redevelopment efforts cannot be wholly distinguished from those which have occurred as a result of overall improvements in the Nation's economy. For many years per capita income in Appalachia has been rising in spite of its distressed condition. However, prior to 1960, this rise was associated with considerable net out-migration and with a significant amount of public assistance and other benefit payments to people in the area. By contrast, since 1962, net out-migration has slowed considerably. And more recently unemployment has declined as employment has grown. Although the contribution of Federal programs to these encouraging developments cannot be separately identified, their positive impact has been felt in many parts of Appalachia—partly through encouragement provided to local leadership in seizing opportunities as they became available.

Other Regional Economic Development Programs

The program of the Economic Development Administration (EDA), created under the Public Works and Economic Development Act of 1965, represents a multilevel geographic approach to-

ward problems of economic development and underemployment.

Aid is directed toward the immediate and urgent problems of local redevelopment areas,[34] of which almost 900 were eligible for assistance as of early 1968. Areas become eligible for assistance by demonstrating relatively low median family incomes, relatively high out-migration rates, and chronically high unemployment rates. Areas are also required to complete an overall economic development program, describing the development goals and providing for an organization of local citizens to do the job on a continuing basis.

A more permanent and extensive economic development base is being sought by providing assistance to economic development districts. These districts are combinations of two or more redevelopment areas, which include an urban area of no more than 250,000 persons with potentiality as an economic development or growth center. To qualify for EDA assistance, districts must formulate development plans that give promise of lasting economic effects.

The Economic Development Administration also encourages and participates in the establishment of Regional Action Planning Commissions—consisting of the Governors of the affected States and a Federal representative appointed by the President. These commissions enable the constituent States and the Federal Government to cooperate in planning and implementing economic development programs requiring multistate resources or dealing with a common, multistate problem. As indicated earlier, five commissions have been established under the Public Works and Economic Development Act so far—Upper Great Lakes, Ozarks, New England, Four Corners, and Coastal Plains.

The types of assistance for which redevelopment areas and development districts are eligible are business loans, grants and loans for public works and development facilities, technical assistance, planning grants, and research and information assistance. In fiscal 1967, $279 million was allocated for redevelopment assistance. Of this total, $53 million was allocated for business loans, providing financial assistance to firms for projects that could not be financed through conventional channels. The development facilities program provides grants and loans to local communities for projects geared to improving public facilities—for example, water supply and sewer systems. Under this program, $199 million was allocated in fiscal 1967. The remainder of the operating budget goes for planning grants and research, and for technical assistance projects.

Except for technical assistance and planning funds, EDA loans and grants are not provided to the commissions but go directly to redevelopment areas and districts, virtually all located within the commission regions and Appalachia. Between the time the agency began operations in September 1965 and December 31, 1967, the EDA has approved projects involving slightly over $590 million. Of this total, $414 million was approved for projects within the five commission regions, $126 million for projects in Appalachia, and $52 million for projects in other parts of the country.

The EDA also provides technical and professional advice to the commissions to help them pursue a coordinated multistate regional development approach similar to the strategy adopted for Appalachia. The commissions' programs take cognizance, however, of differences in resources and opportunities among their various regions.

The goal of the Ozarks Regional Commission is to generate an economic development program that will improve resources, provide more good jobs, and narrow the gap in per capita income between the region and the country generally. The commission's economic development strategies focus on: (1) Expanding and improving education in all its aspects, with particular emphasis on technical and occupational skill training; (2) developing and upgrading public facilities related to economic development in areas of significant growth potential; and (3) creating attitudes favorable to economic growth and expansion.

In the field of education, the Ozarks Commission has begun an active program for technical education. The first step has been the planning of a system of occupational and technical skill training for each of the States involved. The team of consultants responsible for this planning has already submitted its recommendations to the Governors of Arkansas, Missouri, and Oklahoma and are beginning work in Kansas. Their recommendations call for new technical education centers, which will educate and train young adults in job skills and

[34] A redevelopment area is a labor area—county, city, or Indian reservation—that is depressed in the sense that its actual or impending unemployment rate is high, its income level is low, or it has sustained heavy population loss; in rural America, redevelopment areas typically are single counties.

thus provide a foundation for the expansion of industry in the region.

In more recent months, the States in the Ozarks region have been preparing comprehensive recommendations for a regional public investment plan. A team of economic and engineering consultants is also analyzing the region's transportation system. The Ozarks region needs better access to the markets of the central part of the United States, and improved linkages in its existing road system to tie together growth areas.

To cope with the problems of the New England region, the six New England Governors and the Federal cochairman of the commission have given high priority to human resource development. During the first 6 months of operation, the commission has initiated two major studies to help in planning an attack on the region's problems:

1. A comprehensive review of the New England economy and its human resources is now underway, with preliminary findings expected by the end of the 1968 fiscal year.

2. An analysis of all types of transportation throughout New England should be completed by the end of this fiscal year.

In addition, the commission is carrying on a health manpower demonstration project designed to increase the supply of subprofessional personnel. Working with the U.S. Departments of Commerce and of Labor and a hospital training center in Boston, Mass., the commission is training teachers in the specialized skills needed to prepare the hard-core unemployed for such jobs as nurse aides, home health aides, physical therapist assistants, and clerical workers. At the same time, the commission is training approximately 100 of the area's unemployed to fill immediate vacancies in subprofessional hospital jobs.

Each of the States is currently developing a State public investment plan designed to improve and strengthen its economic development plans and programs. These plans are essential to coordinated, regionwide planning by the commission.

The Upper Great Lakes region has suffered severe economic dislocation owing to the decline of a basic resource industry (mining) and the adverse impact of technological change. The commission is attempting to buttress the declining mining economy through new mineral discoveries and improved technology for utilizing low-grade ores. Also, it is attempting to accelerate the growth potentials of the region's manufacturing and tourist industries.

Through strategic public investments, the commission hopes to create conditions that will stimulate an even greater amount of private investment in productive, growth-generating industries. Of particular importance are investments in education and training to upgrade the skills of a work force depleted by out-migration.

The regional development efforts of the Four Corners Commission and Coastal Plains Commission are still in the planning stage. These efforts, like those in Appalachia, the Ozarks, New England, and the Upper Great Lakes, are based upon the concept of providing, through public investment, the basic public facilities needed to make it economically advantageous for private capital to move into the desired areas.

It is too early to assess the impact of EDA activities on the level of income and employment in different regions. The observed reduction in the unemployment rates of many labor areas that were depressed in the early 1960's has been due, in large part, to the general economic expansion, although EDA programs probably had a stimulating effect. EDA estimates that roughly 15,000 new jobs have been created in these places as a result of its approved business loans, which totaled about $100 million during fiscal years 1966 and 1967.

HOUSING AND URBAN DEVELOPMENT

The Department of Housing and Urban Development (HUD) is the Federal agency centrally concerned with rehabilitating the Nation's cities and improving the quantity and quality of urban residential housing. HUD's programs have been concerned with urban renewal, housing, mass transit, and, more recently, the Model Cities Program aimed at rejuvenation of slum neighborhoods.

A national goal of 26 million new homes and apartments over the next 10 years was recommended by the President in his message on Housing and Cities on February 22. Of this total, 6 million units—designed to replace substandard housing in urban and rural areas where more than 20 million Americans still live—would be publicly assisted. The remainder—a much greater number—would be dependent wholly upon the operation of private market forces.

For fiscal 1969, the President's budget recommendations are aimed at starting federally assisted construction or rehabilitation of 300,000 housing units, to enable more than a million people to obtain decent places to live. This 1969 goal includes not only low-rent public housing units but also assistance to low-income families in buying or repairing their own homes, provision for rent supplements for poor families in privately owned housing, and construction or rehabilitation of rental units for moderate-income families.

Altogether an estimated 400,000 to 600,000 additional jobs will have to be created in the construction trades in order to achieve these objectives over the next 10 years. Many of the new jobs will be in the specific areas where increased employment opportunities are most needed.

In addition to housing, many American cities have an urgent need for improved and expanded public transit systems. With the movement of industry to suburbs and other outlying areas, it has become increasingly difficult for city dwellers—particularly the ghetto residents—to reach many new and expanding employment opportunities.

This type of situation was found to exist in the Watts area of Los Angeles through the study made following the 1965 riot. Under its Urban Mass Transit Demonstration Program, HUD provided a subsidy for a new bus line from the Watts area to certain employment centers. The new bus service has been quite successful in helping people to obtain employment and commute to work. In addition to the Watts program, two other new bus lines aimed at connecting slum residents with job opportunities (in Long Island, N.Y., and St. Louis, Mo.) were already operating or about to go into operation in early 1968. There were also about half a dozen similar projects in varying stages of planning in other localities.[35]

An integrated attack on the social, economic, and physical problems in slum and blighted neighborhoods has also been launched by HUD. This Model Cities Program, created by the Demonstration Cities and Metropolitan Development Act of 1966, is still in the experimental and planning stages. Already, 75 cities have been awarded planning grants for programs. The program envisages the cooperation of many Federal agencies in making available to local communities all Federal program aids related to their multitudinous problems. At the same time, the community and its officials are expected to assume leadership in planning and carrying out the program. Federal technical and financial assistance will be forthcoming only when cities present imaginative and effective plans for dealing with the physical and social problems of their blighted areas.

The rehabilitation of residential housing and other facilities (for example, schools and recreational facilities) that may be involved in the Model Cities programs is expected to offer opportunity for increased employment of residents of the target slum areas. Where residents lack skills required for the jobs becoming available, cities will institute appropriate training, with assistance from MDTA programs. Assurance of employment for area residents will depend on appropriate arrangements with lending institutions, private construction firms, and labor unions involved in the program.

In addition, more than 100 cities have neighborhood service center projects underway to bring needed assistance to people in the poorer areas. HUD had approved the allocation of $29 million for facilities in 103 projects through June 1967. Federal grants of up to two-thirds of the cost of such facilities—up to three-quarters in the case of projects located in designated redevelopment areas—were authorized by the Housing and Urban Development Act of 1965.[36] The centers will be staffed and operated by local government agencies or private groups. They are intended to end the time-consuming, discouraging search that poorer families often face when seeking social and economic help in scattered and often distant locations in the community. Services offered include employment counseling, job training, and day care for children.

FEDERAL PROCUREMENT

The regional impact of Federal procurement[37] has commanded wide attention as an economic issue in recent years. This concern is understand-

[35] Responsibility for the major urban transit grant, loan, and related research functions now in the Department of Housing and Urban Development is to be transferred to the Department of Transportation. Responsibility for comprehensive local transportation planning and its relation to urban development will remain in HUD.

[36] For a discussion of additional neighborhood centers involving HUD and other agencies, see the chapter on New Developments in Manpower Programs.

[37] For a more extensive discussion, see *Report of the Independent Study Board.*

able, since Federal purchases of goods and services have averaged more than $75 billion, or over 10 percent of the GNP, during the last 3 years. The magnitude of these purchases suggests that potential leverage exists in public procurement policy for alleviating regional imbalances in economic development and employment opportunities.

The measurement of Federal procurement and analysis of its regional impacts are difficult problems conceptually and statistically. Findings vary with the stage of the procurement process studied and with the measure used.

Initially, Federal procurement contracts tend to be placed in those States having large, highly developed, specialized industries, many skilled workers, and good transportation systems. From these centers, orders spread to subcontractors and suppliers in many different localities. As the income earned by all these producers is spent, it is further diffused throughout the economy.

Thus, the initial geographic effects of Federal spending tend to be highly concentrated, especially on the East Coast, around the Great Lakes, and in the Far West. But the ultimate impact of this spending is widely diffused through all industrial and commercial sectors and all regions of the country.

Federal spending creates income and further rounds of consumer and business spending. According to the Independent Study Board, the total national impact of all such spending in 1963 was estimated to be about $170 billion. The 10 States most affected by this spending accounted for about 60 percent of the total impact. The share attributed to California, the leading State (17 percent) was almost twice that of the second State, New York (9 percent). Pennsylvania followed (with 6 percent), and Ohio and Texas came next (with 5 percent each). The remaining States in the top 10 had shares of 3 to 4 percent; in descending order of impact, they were Illinois, New Jersey, Massachusetts, Michigan, and Connecticut.

Spending for national defense has had a more dramatic effect on the geographic location of jobs than all other Federal procurement, chiefly because of the area concentration of industries capable of providing the goods and services needed to meet the large defense commitments. In 1966, Federal spending for national defense amounted to $61 billion, and accounted for about three-fourths of all Federal expenditures for goods and services. According to estimates by the Department of Labor, about 4.1 million civilian jobs were dependent, either directly or indirectly, upon defense spending in that year.[38] Included were 1.1 million Federal employees, and 3 million workers in private companies supplying the needed goods and services. Roughly 1 out of 17 workers in nonagricultural employment in 1966 owed their jobs either directly or indirectly to defense expenditures.

Until recently there was no direct measure of the geographic effects of defense spending on employment, although some idea of the location of the resulting jobs could be obtained from the distribution of contract awards. In the past few years, however, the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA) have jointly developed estimates of the geographic distribution of civilian employment generated by their respective programs. The following data relate only to defense-generated employment, as estimated by the DOD.[39] In total, these figures fall somewhat short of the Department of Labor's national estimates of defense-generated employment cited above. Nevertheless, they provide new and valuable insights into the geographic consequences of defense spending on manpower requirements and employment in the States most affected by these expenditures. (See chart 26.)

Defense-generated civilian employment has marked geographic concentrations. In June 1967, there were five States—California, Texas, New York, Pennsylvania, and Virginia—in which the number of defense-generated jobs exceeded 140,000, as shown by the following figures:

State	Defense-generated employment	
	Number (thousands)	As a percent of work force
California	499.1	6.5
Texas	182.7	4.3
New York	170.4	2.1
Pennsylvania	155.8	3.2
Virginia	143.1	8.4

SOURCE: U.S. Department of Defense and State employment security agencies cooperating with the U.S. Department of Labor.

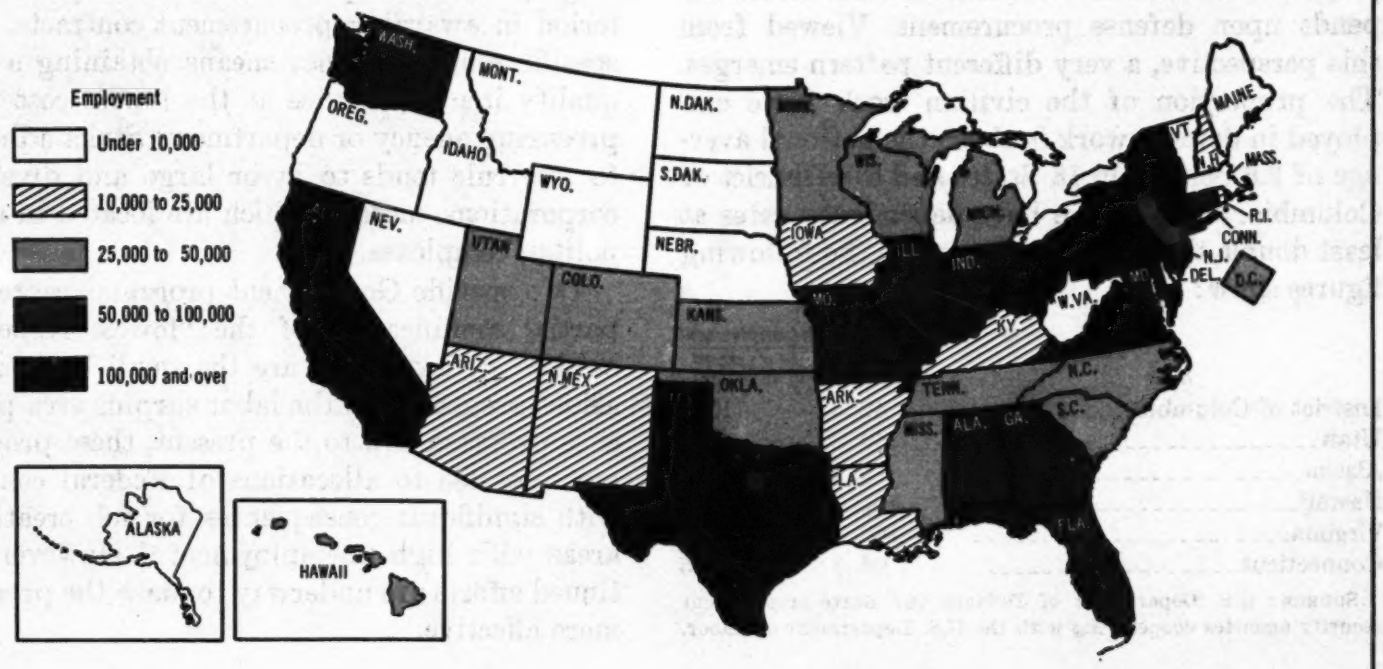
[38] For a further discussion of the national impact of government spending at all levels on the employment situation, see the chapter on Trends in Employment and Unemployment.

[39] Defense-generated employment consists of: (1) Federal civilian personnel employed at military installations; (2) estimates of private employment based on semiannual reports from over 400 major defense contractor plants engaged in prime and large subcontract work for the Department of Defense (excluding NASA); and (3) estimates of smaller contractors not reporting their employment, obtained by applying census factors to prime contract awards data. Work force data are Department of Labor estimates. In June 1967, the defense-generated employment covered by these limited estimates totaled 3.0 million for the country as a whole.

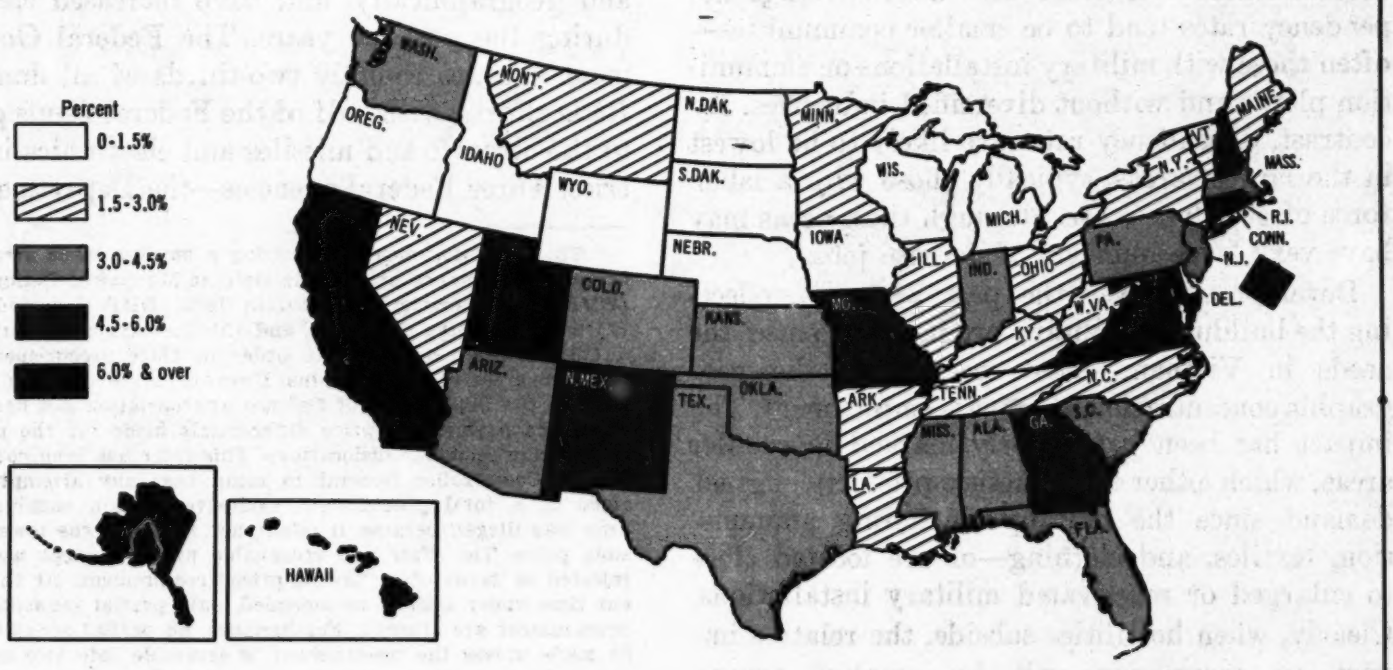
CHART 26

Pattern of States with greatest numbers of defense employees differs from that of States where such employees represent highest proportion of workforce.

Number of employees in defense-generated jobs, June 1967



Proportion of State workforce in defense-generated jobs, June 1967



Source: U.S. Department of Labor, based on data from the U.S. Department of Defense.

These States accounted for almost two-fifths of the total number of civilian workers (including Federal personnel) estimated to be working on defense jobs, though only one-third of the Nation's civilian work force.

Even more significant is the extent to which employment in various communities and States depends upon defense procurement. Viewed from this perspective, a very different pattern emerges. The proportion of the civilian work force employed in defense work is above the national average of 3.6 percent in 18 States and the District of Columbia. Six of these have dependency rates at least double the national average, as the following figures show:

State	Defense-generated employment	
	Number (thousands)	As a percent of work force
District of Columbia	42.3	10.3
Utah	40.2	9.9
Alaska	9.4	9.8
Hawaii	25.3	8.8
Virginia	143.1	8.4
Connecticut	96.3	7.5

SOURCE: U.S. Department of Defense and State employment security agencies cooperating with the U.S. Department of Labor.

For reasons of security, data on defense-generated employment in specific local areas cannot be reported. Nonetheless, the differential impact on localities is substantial, with up to two-fifths of the labor force in some communities dependent on defense work. The areas with above-average dependency rates tend to be smaller communities—often those with military installations or ammunition plants and without diversified industries. By contrast, dependency rates are likely to be lowest in the largest areas, typically those with a labor force of 50,000 or more, although these areas may have very large numbers of defense jobs.

Developments over the past 2 years—reflecting the buildup of military production to meet the needs in Vietnam—have accentuated the geographic concentration of defense employment. The impact has been particularly marked in smaller areas, which either manufacture products in great demand since the buildup—including ammunition, textiles, and clothing—or are located close to enlarged or reactivated military installations. Clearly, when hostilities subside, the relative impact on manpower will be greatest among these smaller communities. Adjustment programs of various sorts—finding peacetime uses for plants no longer needed for defense, retraining workers for nondefense jobs, or relocating them in other areas—will be required to assist these areas and their populations in adapting to oncoming changes.

The geographic concentrations of defense and other Federal procurement activities reflect, in large part, the emphasis on "efficiency" as a criterion in awarding procurement contracts. In its specific sense, efficiency means obtaining a given quality item or service at the lowest cost to the procuring agency or department. Strict adherence to this rule tends to favor large and diversified corporations, most of which are located in metropolitan complexes.

Two specific Government programs represent a partial modification of the "lowest responsible bidder" policy. These are the small business set-asides program and the labor surplus area preference program. Up to the present, these programs have not led to allocations of Federal contracts with significant consequences for job creation in areas with high unemployment.[40] However, continued efforts are underway to make the programs more effective.

RESEARCH AND DEVELOPMENT

Federal research and development (R&D) expenditures are highly concentrated industrially and geographically, and have increased steadily during the postwar years. The Federal Government finances roughly two-thirds of all domestic R&D efforts, with half of the Federal funds going to the aircraft and missiles and electronics industries. Three Federal agencies—the Department of

[40] The basic document authorizing a surplus labor areas procurement preference program is Defense Manpower Policy No. 4 (DMP 4). As originally issued in 1952, DMP 4 provided for (1) a bid-matching procedure, and (2) the payment of price differentials where necessary in order to place procurement contracts in areas of labor surplus. However, since 1954, an annual rider to the Department of Defense Appropriation Act has eliminated the payment of price differentials made for the purpose of relieving economic dislocations. This rider has been construed by the Comptroller General to mean that any attempted set-aside of a total procurement exclusively for a surplus labor area was illegal, because it might not result in the lowest possible price. The "fair and reasonable price" concept was thus rejected in favor of a "lowest price" requirement. At the present time under DMP 4 as amended, only partial set-asides of a procurement are allowed. Furthermore, no partial set-aside may be made unless the procurement is severable into two or more economic production runs. However, experience has shown that in defense procurement the variation in quantity requirements, in many instances, effectively precludes such divisions of production. Until now, the effect of these interpretations is that Federal procurement under DMP 4 has had limited impact on job creation in labor surplus areas.

Defense, National Aeronautics and Space Administration, and Atomic Energy Commission—accounted for over 85 percent of the Government's R&D spending in fiscal 1967, reflecting the orientation towards military, space, and nuclear energy programs.

The 10 States which lead in federally supported R&D work are California, New York, Maryland, Massachusetts, Texas, Pennsylvania, Florida, New Mexico, New Jersey, and Ohio (according to fiscal 1965 data, the latest available). These States tend to have above-average proportions of scientists and engineers in their labor force, as would be expected in view of the large numbers employed in R&D projects (as well as other activities in private industry, colleges and universities, and government agencies).[41]

In allocating Federal R&D expenditures, the primary consideration is generally to meet program objectives in terms of the quality and pace of the results, at minimum cost. In most programs, the geographic distribution of the contracts is a secondary consideration. However, in an effort to build up new centers of research in many parts of the country, research funds of several agencies have been directed toward the development of new research capabilities in universities and other nonprofit institutions. For example, the Atomic Energy Commission, National Aeronautics and Space Administration, and National Science Foundation have provided support in the form of student fellowship grants and university research contracts to a widening group of institutions. Over the long run, the financial aid should help diversify the location of R&D activity.

Some Federal programs, such as the higher education development programs of the Office of Education, have as their primary objective the development of strong regional research centers. And some regionally oriented Federal programs have strong roots in research and development. For example, both the Department of Agriculture and the Department of Interior have sponsored applied research and technological development programs to solve regional problems of resource development. Furthermore, the Federal highway program encourages research and development on local transportation problems and supports universities in strengthening their engineering and related facilities.

Further progress in diffusing the Federal R&D effort is possible and desirable, but not at the expense of hampering the quality or slowing the pace of urgent national programs. The Independent Study Board concluded:

> . . . New programs, financed by new appropriations, must be established for encouraging science and technology in the less developed regions. This is preferable to a redistribution of funds under existing programs since it would avoid cuts in allocations to existing strong centers. A wider distribution of Federal R&D funds alone would not necessarily contribute fundamentally either to regional economic development or to development of colleges and universities.
>
> . . . Science and technology can contribute most to development in those regions which build up appropriate preconditions, such as a vigorous educational system at all levels, high quality of local government and environment, living conditions which attract R&D personnel, and institutions—public and private—attuned to innovations.[42]

TRANSPORTATION PROGRAMS

Transportation is, at once, a significant generator of employment and a part of the overall structure necessary for economic growth, regionally as well as nationally. It is an important factor not only in the location of industry within a region but also for transportation-sensitive industries, as between different regions. The absence of good transportation has often meant economic stagnation, most recently in inner-city business districts.

Federal transportation programs and policies therefore have important effects on economic growth and the location of industry and jobs. Among the programs administered by the Department of Transportation, the most significant from this viewpoint is the Federal aid to highways program. This includes both the interstate highway system connecting major metropolitan centers and the primary and secondary highway (ABC) system.[43]

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[41] For a discussion of the relationship between regional economic trends and scientific and engineering employment, see *Geographic Concentration of Scientific and Technical Manpower and Regional Economic Growth* (Washington: National Planning Association, June 8, 1965).

[42] *Report of the Independent Study Board*, pp. 40–41.

[43] The interstate highway sytem is 90 percent federally financed. Besides connecting the major metropolitan centers, it serves a major defense function. Funds are apportioned among the States on the basis of the State's share of the total estimated cost of the entire system. With respect to the ABC system, Federal law stipulates that 45 percent of each State authorization is for primary roads, 30 percent for secondary, and 25 percent specifically for urban portions of both road systems. All ABC funds are on an equal share matching basis with the States, except in some western States with large areas of Federal land.

Any program as large as Federal aid to highways is an important generator of employment (funding for the two systems amounted in 1967 to about $4 billion per year). Construction is one of the industries most directly affected by the highway system. Additional employment is also generated in the numerous industries that provide equipment and services to the businesses and employees directly involved in highway construction, as well as by the multiplier effects of highway expenditures on employment in consumer-goods industries.

The effect of highways on the location of industrial development has been demonstrated by many studies. It is made very plain by the clusters of new plants along circumferential highways, such as Route 128 around Boston and the Capital Beltway around Washington, D.C. These beltways have undoubtedly speeded the growth of industry in the rings around cities and the movement of plants to these areas, often from downtown locations.

Expansion of nonfarm industries and employment in rural areas will also depend heavily on an improved system of highways and access roads. By improving accessibility, highways widen market areas, increase farm productivity, and facilitate off-farm employment. They have also facilitated the attainment of new standards of rural living by opening up opportunities for urban shopping, recreation, and other types of social activity.

Road systems have also played a crucial role in the development of suburbia. The present pattern of commuting from suburbs to central city jobs would have been impossible without an extensive network of roads, although many other factors have, of course, contributed to the movement of population to the suburbs.

Federal aid to highways is not the only transportation program that has regional location implications. Federal grants have long been essential to insure the survival of U.S. registered shipping and the American shipbuilding industry. Geographically, the port cities and the localities with shipbuilding facilities may be regarded as the principal beneficiaries.

Federal programs related to air transportation and airport facilities influence airline routes and service. They particularly favor medium-sized cities and some smaller ones, which might otherwise be far from air transportation or have only good-weather service. In addition, programs designed to stimulate inland waterborne transportation enable carriers to compete with railroads for the shipment of bulky commodities and thus aid river and lake ports.

The High Speed Ground Transportation program is an experimental project of passenger rail travel in the Boston-Washington corridor, designed to test consumer interest in improved intercity rail service. In addition, public transit programs to combat intracity congestion will aid metropolitan core areas in their struggle to retain or attract industry. These systems should also be designed to help residents of city slum areas reach outlying employment opportunities.

Federal transportation policies and programs thus have differential geographic impacts on industrial development and employment growth. These programs provide better transportation, where needed, to accommodate growth and also to assist disadvantaged areas that have inadequate transportation systems. They are fundamental to economic and employment growth in depressed and lagging regions.

OTHER PROGRAMS

Mining and Mineral Resources

The programs of the Bureau of Mines in the U.S. Department of the Interior are concerned with meeting the total national demand for minerals. However, economic mineral resources are found only in certain regions. So programs to increase production of a specific mineral have differential State and regional impacts.

Bureau of Mines programs with significant regional impact include research to improve iron ore recovery techniques, which has helped the Upper Great Lakes area, and contributions to the development of automation in the coal industry, which have benefited many parts of Appalachia and other coal mining areas as well. Research into the potential of oil shale formations has brightened the employment and production outlook in Colorado, Utah, and Wyoming.

Among the other programs with geographic implications are a conservation program for helium, and exploration of techniques to define and recover mineral deposits in the marine environment. Also, the Bureau of Mines is evaluating the

potential of mineral resources in Alaska and assisting in the development of Appalachia through contracts to reclaim land damaged by surface mining or mine caving and to control mine fires.

Government Enterprises

Government enterprises and related programs—including the postal system and the programs of the Corps of Engineers—have important direct and indirect influences on the location of business and of jobs. Examples of direct effects are Federal installations (post offices, TVA, Bonneville Dam) and the procurement activities connected with them. An example of indirect effects would be the attraction of various energy-using industries to sites with low-cost power made available through federally financed dams and electric-generating facilities. Even the postal system has some important indirect locational influences; for example, the fact that postage charges for books and magazines and other periodicals are determined by weight, not distance, enables these types of printing to be performed in areas where the labor cost is lowest, without regard to differential transportation costs.

The Water Resources Development program of the Corps of Engineers has many direct effects on regional and local economies and indirectly influences the location of industries and jobs. Some of the factors that influence business location and thus help to expand employment opportunities are: the availability of low-cost hydropower, water transportation, flood-free lands, adequate water supplies of quality suitable for industry, and recreational opportunities, which are afforded by water resources projects. It is in this context of encouraging economic growth that the Corps of Engineers is formulating water resources plans for Appalachia in connection with the Appalachian Regional Development program.

Small Business

Through a variety of loan and loan-guarantee programs, the Small Business Administration (SBA) helps small businessmen in all parts of the country. That the SBA has a potentially important role to play in depressed areas or neighborhoods is suggested by the fact that business establishments in such neighborhoods are often small, owner-operated units and by the great need for expanded business opportunities for residents of ghetto areas.

The SBA has recently undertaken, as part of its overall program in the small business field, cooperative efforts with other Federal agencies to stimulate economic growth and manpower development in depressed areas. Arrangements have been made with HUD aimed at developing more business opportunities for city people in low- and moderate-income neighborhoods. The purpose of this plan is to encourage the use of both FHA mortgage insurance and SBA loan and management assistance in developing rental space for small businesses, providing them with commercial services, and developing their entrepreneurial skills. The SBA has also arranged with the Department of Agriculture to bring the loan programs to the attention of small businessmen in rural areas.

Under the Economic Opportunity Act of 1964, people with low incomes can be given financial help in setting up new businesses or strengthening established ones. So far, loans under this provision have amounted to $39 million between December 1966, when the program was transferred to SBA, and the end of 1967.

The SBA's Local Economic Development Loan Program has potentiality for aiding distressed localities, including many which have been adversely affected by the departure of major industrial plants. Financial assistance can be provided to State development corporations and local development companies, on the condition that this is used to aid eligible small businesses. Under the local development company program, loan projects totaled 338 during 1967—most of them in small communities of 10,000 or less. About one-fourth of these loans were placed in depressed areas such as Appalachia. The others were used to assist communities in diversifying their industries, or to expand businesses and thus stimulate the community's economic growth. The SBA estimates that, all told, nearly 12,000 jobs were created by these loans.

Agriculture

A variety of programs operated by the Department of Agriculture—for example, acreage control, farm price subsidies, and agriculture extension services—have differential regional effects This, in part, reflects the concentration of agricul-

tural activities in some regions—especially the South and the West North Central States.

In addition, the Farmers Home Administration has been concerned with farm area development and poverty. This agency operates a variety of loan programs to help improve community living standards and alleviate rural poverty—construction loans, economic opportunity loans, aid to family farmers, and loans for housing improvement.

The Extension Service of the Department of Agriculture has had some impact on rural economic development. The Department estimates that, during 1966 and 1967, new projects relating to agricultural marketing and processing and business and industrial development, including recreation and tourism, were instrumental in creating about 150,000 new jobs in rural areas. Water and sewer projects were among the most important, followed by school, health, and recreational programs.

It has been emphasized that the rural population has not shared equally in the fruits of economic progress and that rural poverty is a national concern. Many of the programs outlined earlier in this chapter have a strong rural focus.

But beyond this, the economies of both urban and rural areas are highly interdependent and require complementary programs for sustained economic progress. Over the long run, a balanced rural-urban development would use the Nation's resources most effectively and provide maximum opportunities for employment and for improving the quality of life.

Conclusion

Present geographic patterns of affluence and poverty, of economic growth and decline, in the United States are the outcome of countless interacting developments. They reflect decisions over many years by businessmen to seek out the areas where, with the existing resources and foreseen economic and technological conditions, they could most effectively produce and market and by workers to move to places offering promise of better employment opportunities. Underlying these decisions have been the technological advances that, within relatively short periods, revolutionized the country's transportation system, diminished the economic importance of coal, cut into the demand for cotton and woolen textiles, and forced millions of farm people to seek nonfarm jobs, to cite just a few examples.

Developments such as these have made possible the Nation's economic growth and generally advancing standard of living, but they have had a very uneven geographic effect. Although most localities have benefited, some have suffered economic decline and distress.

The presence of natural resources and, in some cases, their depletion have also been basic factors in the economic fortunes of many areas. The changing ratio of immigration—induced by the search for political freedom and economic opportunity, and limited in the past several decades by legislative restrictions—has had a profound effect on the inflow of workers, particularly into urban areas. Government decisions with respect to the location of facilities and other programs and policies have also affected thousands of communities, their industries, and workers. In addition, demographic and social factors—such as the above-average fertility rates in rural areas and the frequent discrimination against Negroes and other minority groups in employment and housing—have had a great influence on migration and the concentrations of unemployment and poverty in both rural and urban communities.

To some extent, the economic development of particular regions of the country has been purposive. More than a century ago, the Homestead Act of 1862 focused efforts on development of the West. More than 30 years ago, the Tennessee Valley Authority was set up to develop one part of the South. But in the main, as the illustrations just cited suggest, this country has drifted into new patterns of employment location—on the shifting currents of technological change, product demand, and job and profit seeking—and then has had to cope with the economic and social consequences of these patterns.

A new national determination to meet the problems of people in depressed areas by cooperative governmental and private action is reflected in the economic development programs of the past 7 years. Because of the wide differences in both problems and potentialities among the various redevelopment areas, these programs are necessarily flexible and utilize a variety of approaches to their common goal of economic development and job creation. But they share certain basic features. Along with development of community resources and other incentives to business expansion, there is general emphasis on strengthening of education and training—with the twofold aim of qualifying workers for the expected new jobs and of supplying the trained work force needed to attract business to the area.

Implicit in the development programs is recognition that many depressed labor areas have the potential for regeneration, and also that there are communities with promise as growth centers within all the broad development regions. But it is also recognized that the processes which have brought economic decline to particular areas are not likely to be reversed without outside help. An area where employment opportunities are poor tends to lose workers by net out-migration. Thus, it has a weakened labor force, and so is further handicapped in holding its present businesses and attracting new ones.

The redevelopment programs are, of course, aimed directly at arresting this vicious cycle in as many areas as is economically feasible. How many areas can and will be thus assisted is still very uncertain. But clearly, not all depressed areas can expect to achieve future growth, and hence it will continue to be necessary for many workers to seek jobs elsewhere. With improved highway systems, larger numbers will able to commute to jobs in nearby growth centers. But further migration from a good many areas will also be necessary.

One of the most basic questions which has to be confronted in economic development programs has been stated in overly simplistic terms—whether workers should move to jobs or jobs to workers. Even to pose the problem in this way is to distort it; both types of movement will certainly be required and must be facilitated and aided. The real question—to which no satisfactory answer has yet been developed—is what combinations of program efforts in these two directions would be most beneficial in both economic and human terms.

This is a question which can be analyzed satisfactorily only on an area-by-area basis, in the context of the overall national economy. The potentialities of depressed areas should be evaluated separately, together with the characteristics of their workers and the opportunities which can be foreseen for them elsewhere. And in developing program plans, account should be taken of the relative costs and benefits to the Nation, as well as the particular area and its workers, of migration as compared with local economic development.

Usually, by facilitating the movement of workers and industry to the areas where they can be most productive, the national output of goods and services will be maximized and higher overall levels of living achieved. However, the desirability of maximizing national output is only a general guide to policy. A strict efficiency criterion for the short run may hurt long-run productivity and, in any event, ignores other important goals. Rigid adherence to this criterion in program development could mean leaving many distressed areas stranded and still declining, with hardship to the people unable or unwilling to migrate. It may also, in many cases, cause waste of existing social capital and failure to develop resources of potential value over the long run. The economic and technological history of the country demonstrates that the demand for particular resources (for example, coal) can have upswings as well as declines, with corresponding effects for the areas economically dependent on these resources. And the increasing concentration of low-income population in many inner-city slum areas must be considered in connection with any program decisions that might stimulate further migration to such areas.

The development of manpower objectives for different geographic areas and for the Nation as a whole thus involves great complexities and almost inescapable incompatibilities. Though the programs devised to forward these objectives will often reinforce each other, this is not always possible. Short-term objectives may conflict with long-term ones. Improvements of opportunity in one area may lead to an actual or potential loss of opportunity elsewhere.

It is essential that there continue to be a wide range of programs aimed at mitigating geographic inequities in employment opportunites and worker well-being. And it is equally essential that relationships among these programs be continuously evaluated in terms both of objectives and of actual

effects, so that conflicts can be minimized. We need to work toward a consistent geographic strategy for manpower and economic development policy which would link together the various geographic objectives and programs.

What are some of the issues which must be confronted in moving toward such a strategy? The first relates to *factfinding and research*. How and to what extent can the employment potential of different areas be better evaluated? How and to what extent can appraisals be made of the relative costs and benefits of alternative action programs aimed at meeting the employment and subsistence needs of people in different localities?

Factfinding and analysis on these fundamental questions are now hampered by the fragmentary and discontinuous nature of the data available for specific areas and regions. Furthermore, the techniques of cost-benefit analysis and also of systematic projection of economic and manpower trends for different areas, integrated with national projections, are still at an early stage of development and application. These informational inadequacies are recognized by many serious investigators in both Government and private agencies. It is essential to make rapid progress in improving both basic data and analytical and projection techniques in order to provide better guidelines for program development.

Second, with *private job creation* as a prime objective in areas with potential for redevelopment, should present measures to stimulate business expansion be strengthened and supplemented? As better information becomes available for various areas, this is likely to underline the wide differences in the nature and severity of their problems, but it should also help to pinpoint the kinds of program action called for in each situation. In many cases, investment in public facilities such as highways, waterworks, and sewer systems will be essential to start the process of industrial expansion. Frequently, financial incentives such as low-cost loans or tax rebates may be needed. The critical problem is to provide, in each case and within the limits of available resources, the combination of facilities and incentives that will be most effective in starting a self-sustaining, progressive expansion in private employment.

Third, the geographic impact of both *Government procurement and transportation policies* and *decisions regarding the location of facilities* needs to be continuously reviewed. The magnitude of Government procurement and investment in transportation suggests that these could be powerful tools for reducing interarea differences in unemployment.

Despite the other important and often overriding reasons for the location of Government suppliers, there is need to determine whether any increase in total social cost would be entailed in departing from the prevailing practice of allocating contracts on the basis of the lowest money cost to the procuring agency. In this calculation, consideration should be given, for example, to the saving to society if welfare and other benefits could be reduced by placing orders in areas of high unemployment. In addition, decisions as to the location of Government facilities and of transportation investments should take account of the job market situation in particular local areas and of whether the opening of new facilities there would have the constructive effect of relieving unemployment or, conceivably, the negative one of intensifying already existing labor shortages.

A fourth broad issue relates to the policies that should be followed in *vocational education and training*. To what extent should youth be prepared for occupational opportunities existing or anticipated in the immediate local area? To what extent should their occupational preparation be planned in the light of national trends? For example, should opportunities for training in nonfarm jobs be increased in agricultural areas, so as to ease the transition from farm to nonfarm employment for the many youth and adults who will have to make this change?

Answers to such questions are made doubly difficult by the varying degrees of uncertainty as to the economic and occupational future, locally and nationally. They should be facilitated as projections improve. But they will never be easy to arrive at. In some cases, community interests in training objectives may differ from those of individuals. The economic future of an area may hinge in part on the presence of workers trained to meet local requirements, whereas individuals might benefit most by training to facilitate their outmigration.

Two fundamental educational problems are also involved: First, the extent to which the educational preparation of youth should be aimed at specific occupations or should be more broadly based and designed to provide occupational flexi-

bility; and second, the dilemma inherent in our democracy of reconciling full freedom of choice for the individual with training programs closely geared, in nature and magnitude, to anticipated manpower requirements.

A fifth set of questions relates to the *migration of workers*: To what extent and how should Government attempt to stimulate and aid out-migration from declining areas, to influence migrants' choice of a destination, to assist them in the job and other adjustments they must make in the new environment?

Decisions regarding the extent of out-migration from particular areas which is economically and socially desirable will be hampered until improved information is available on area potentials and the relative costs and benefits of alternative program approaches. However, experimental programs of relocation assistance should provide useful insights into the factors that impede migration and how these can be overcome most effectively. Such programs should also indicate methods of limiting and easing the adjustment problems which arise, for example, when unskilled farmworkers move to cities in search of jobs.

A related question that has hardly begun to be explored is how to reach potential migrants from rural areas before they move, in order to advise them on the choice of a destination and, if possible, give them training for urban employment. The gross flow of migrants in this country is so great that if even a small proportion of them could be helped to make an economically wiser choice of a destination, this could have a major effect in reducing the concentrations of jobless workers in some areas.

In addition, there must be concern for the welfare of people in *places unlikely to achieve economic viability* through redevelopment programs. There are many communities which are too small—and some where economic decay has gone too far—to be helped by redevelopment efforts. In such situations, the paramount question is how and where to provide an adequate basis of living for the residents. For many who are employable or can be helped to become so, out-migration is the answer. For others, income maintenance and work programs of various kinds may be necessary.

A final set of issues relates to the policies that might be followed in working toward a *balanced and integrated development* of the country's different geographic areas. Balance issues arise at several levels of geography. Within specific urban areas, more effective integration between the suburbs and inner city might aid both the rehabilitation of slums and the development of model neighborhoods and urban industrial parks. This would involve not merely linking jobs and residences through an improved transportation system, but also reducing the differentials in socioeconomic opportunities between the inner city and the rest of the metropolitan area. And it would mean solving the central city problems of unemployment and poverty, not spreading them more evenly through the city.

The "growth center" concept in regional development calls for interrelated development of these cities and the surrounding countryside. Functioning as centers of employment growth and also of educational and other services, these growth centers might serve as the nucleus for economic and social improvements in their environs. In turn, they would depend, in considerable part, on the people within commuting distance as both workers and customers.

Perhaps some of the most difficult policy and analytic questions relate to the development of an urban-rural balance. If, as the Secretary of Agriculture has suggested, ". . . we can revitalize the villages, towns, and cities of the countryside and build new towns and cities there, . . . preserve . . . the maximum feasible number of family-type farms," and develop the open countryside, then we may be able to ". . . reverse the flow of population to metropolitan centers, and in so doing, help big cities conquer the urban improvement job by easing the pressures exerted by a constantly expanding population." The full implications of attempting to achieve these kinds of results need intensive study, but programs to achieve urban-rural balance may have profound effects on the future development and well-being of America.

The President, in his message on Housing and Cities delivered to the Congress on February 22, made clear his determination both to deal directly with the critical problems in central cities and to foster new centers of industry and population. He called for a new Housing and Urban Development Act, which would make possible expansion and acceleration of housing construction and rehabilitation and renewal of blighted urban neighborhoods. He also proposed a New Communities Act, which would provide a major new financing method for private development and also offer in-

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centives to State and local governments to channel programs for construction of new public facilities into such communities.

The task of solving present geographic inequities in employment opportunities and levels of living, and of realizing the potentials of all geographic sectors and their people, is not for the Federal Government alone. It will demand active participation by all levels of government and by private industry and local leadership in communities throughout the country. In any event, high priority for analysis should be given to geographic factors in employment and manpower development.